

JPRS-CAR-87-001

5 JUNE 1987



**FOREIGN  
BROADCAST  
INFORMATION  
SERVICE**

---

# ***JPRS Report***

# **China**

---

244

# **SPECIAL NOTICE**

Effective 1 June 1987 JPRS reports will have a new cover design and color, and some reports will have a different title and format. Some of the color changes may be implemented earlier if existing supplies of stock are depleted.

The new cover colors will be as follows:

CHINA.....	aqua
EAST EUROPE.....	gold
SOVIET UNION.....	salmon
EAST ASIA.....	yellow
NEAR EAST & SOUTH ASIA...	blue
LATIN AMERICA.....	pink
WEST EUROPE.....	ivory
AFRICA (SUB-SAHARA).....	tan
SCIENCE & TECHNOLOGY.....	gray
WORLDWIDES.....	pewter

The changes that are of interest to readers of this report are as follows:

The CHINA REPORT: ECONOMIC AFFAIRS (CEA) and the CHINA REPORT: POLITICAL, SOCIOLOGICAL AND MILITARY AFFAIRS (CPS) will no longer be published. Material formerly found in these reports will appear in the CHINA (CAR) series.

CHINA/RED FLAG (CRF) will be issued as a separate series.

CHINA/STATE COUNCIL BULLETIN (CSB) will be issued as a separate series.

If any subscription changes are desired, U.S. Government subscribers should notify their distribution contact point. Nongovernment subscribers should contact the National Technical Information Service, 5285 Port Royal Road, Springfield, Virginia 22161.

5 JUNE 1987

# CHINA

## CONTENTS

### INTERNATIONAL

#### SOUTHEAST ASIA/PACIFIC

RENMIN RIBAO on Vietnam's Failure in Cambodia (Wang Rongjiu; RENMIN RIBAO, 17 Apr 87) .....	1
--	---

### ECONOMIC

#### NATIONAL AFFAIRS, POLICY

LIAOWANG Urges Cuts in Excessive Consumption (Bao Xin; LIAOWANG OVERSEAS EDITION, No 17, 27 Apr 87) .	4
Separation of Government, Enterprises Viewed (Zhu Pingrang; JINGJI GUANLI, No 2, 1987) .....	7
JINGJI RIBAO on Necessity of Unemployment (Chen Feng; JINGJI RIBAO, 18 Apr 87) .....	10
PRC Economist Advocates Joint-Stock System Trial (MING PAO, 1 May 87) .....	14
State Enterprise Ownership by Laborers Opposed (Zhu Kaixi; JINGJI YANJIU, No 2, 20 Feb 87) .....	16
Current Macroeconomic Problems Analyzed (Zhang Fenbo; JINGJI YANJIU, No 2, 20 Feb 87) .....	21
GUANGMING RIBAO Views Aim, Role of Bankruptcy Law (Wang Cunxue; GUANGMING RIBAO, 29 Apr 87) .....	35

Xi'an Hosts National Forum on Management Modernization (Shaanxi Provincial Service, 5 May 87) .....	39
PROVINCIAL	
Heilongjiang Report on Economic Development (Hou Jie; HEILONGJIANG RIBAO, 18 Mar 87) .....	41
FOREIGN TRADE, INVESTMENT	
Border Trade With USSR Increases in 1987 (Beijing in Russian to the USSR, 13 May 87) .....	65
Rong Yiren Meets With U.S. Commerce Secretary (XINHUA, 7 May 87) .....	66
Over 50 Projects With Netherlands Under Negotiation (Yan Ling; CHINA DAILY, 13 May 87) .....	67
Bohai Economic Region Foreign Trade Prospers (XINHUA, 9 May 87) .....	69
Briefs	
Software Patent to IBM	71
Electric Fan Exports	71
AGRICULTURE	
Officials Tour Provinces, Offer Guidance (XINHUA, 10 Feb 87) .....	72
'Spark Plan' Spurs Development in Rural Areas (XINHUA, 10 May 87) .....	74
Agricultural Bank Loans Raise Farm Output (XINHUA, 11 May 87) .....	77
Grain Production Centers Built Along Yellow River (XINHUA, 9 May 87) .....	78
PRC Plans To Expand Deep-Sea Fishing Activities (CHINA DAILY, 12 May 87) .....	79
Agricultural Development Research Center Established (XINHUA, 8 May 87) .....	81
Funding for Rural Development in Hunan (Feng Guojun; NONGYE JINGJI WENTI, No 1, 23 Jan 87) .....	82
Briefs	
War Waged Against Insect Pests	90



TAIWAN

Briefs

Netherlands Submarine Delivery	91
--------------------------------	----

HONG KONG, MACAO

WEN WEI PO on Direct Elections in Hong Kong (Editorial; WEN WEI PO, 11 May 87) .....	92
Analysts View Effects of Recent Chung Remarks (HONG KONG STANDARD, 5 May 87) .....	94
Paper Sees Chung Remarks as Realistic Views (Editorial; HONG KONG STANDARD, 5 May 87) .....	96
XINHUA Staff Changes, Local Operation Viewed (Chan Wai-fong, Yau Shing-mu; HONGKONG STANDARD, 6 May 87)	99
Local XINHUA Official Interviewed on Career (Chan Wai-fong, Yau Shing-mu; HONGKONG STANDARD, 6 May 87)	100
XINHUA Official on Efforts To Expand Operation (Chan Wai-fong, Yau Shing-mu; HONGKONG STANDARD, 6 May 87)	102

/9987

## RENMIN RIBAO ON VIETNAM'S FAILURE IN CAMBODIA

HK220409 Beijing RENMIN RIBAO in Chinese 17 Apr 87 p 6

[Newsletter By Reporter Wang Rongjiu (3769 1369 0036): "The War Of Aggression Against Cambodia Does Not Have The Support Of The People"]

[Text] When visiting the battlefield of Democratic Kampuchea, our reporters met with a lot of Vietnamese soldiers and with soldiers and officers of the Heng Samrin Regime. They told our reporters that the Vietnamese people are also the sufferers of Vietnam's aggressive war against Cambodia. With tears in their eyes, they told our reporters: The aggressive war against Cambodia launched by the Vietnamese authorities does not have the support of the people.

On an afternoon of last November, in a military camp of the National Army of Democratic Kampuchea at the Ma De Wang (7456 1795 2598) Front in western Cambodia, we saw 12 captured Vietnamese soldiers. All of them were thin and haggard, and obviously suffered from long-term malnutrition.

Ruan Lingde (7086 7227 1795), a 26-year-old Vietnamese soldier, was the first to speak to us. He told us that his family lived in South Vietnam. His family had for generations been farmers, and no one in his family had ever wanted to join the army. However, one day in May 1985, several people suddenly arrived at his home and forcefully led him away without giving any reasons. Later, he was sent to a training camp for new recruits. The officer there told him that if any one escaped, his parents would be arrested and the grain rations to the other members of his family would be stopped immediately. Soon afterwards, he was sent to Cambodia to fulfill the so called "international obligation" and "help" the Cambodian people as he was told. However, what he saw later on was completely a different story. The troops he was staying with were sent out to plunder the local people of their grain and clothes. He also saw with his own eyes Cambodian women being raped and later killed by the Vietnamese soldiers. As he was unwilling to do those things, he was often beaten up by his officer.

Finally, Ruan Lingde said: "Fearing death, missing home, and finding ways to escape are the common psychological conditions among Vietnamese soldiers. When a battle breaks out, no one wants to be the first at the front and every one tries to hide himself up and escape from the battle. I am very happy that I was arrested 10 days ago."

Another Vietnamese soldier whose surname is Li (7812) said: "In the troops I was serving with, nine out of ten soldiers wanted to escape. The soldiers often discussed among themselves how to escape. When their intention was discovered by their officers, they would be beaten up or even killed. As a matter of fact, the officers themselves also wanted to escape. Our company commander was one of those who escaped during the war."

Our reporters asked them why such things often happened in the Vietnamese troops?

A soldier who had a pair of big eyes and a studious face told us that all of them were forced to join the Army. He also said: "Since I came to Cambodia, I have been missing my home every night and sometimes I even cry at night. A few days ago, our company was sent to attack the National Army of Democratic Kampuchea. When fire broke out, I went into hiding in the forest. And later on, I was captured by the Kampuchean National Army."

Li Deyuan (7812 1795 0337) was just 18 years old and looked like a child. During our talk, he bent his head and only occasionally looked up at the people around him. He said: "My family lived in the South (Vietnam). Every three months, some people in our town are forced to join the army. As soon as I joined the army, I was sent to Cambodia. I miss my family and I am afraid of death. In the army, I did not have enough to eat and sometimes, I cried because of hunger. The officers had good things to eat. We soldiers really wanted to kill them and escape."

On the battlefield in the south of the Shi Su Feng (6108 2752 7364) of the Ma De Wang Front, our reporters also saw another batch of captured Vietnamese soldiers who had been in captivity for a longer time and looked healthier.

Ruan Talong (7086 1044 7893) was a 32-year-old veteran soldier who had been in Cambodia for more than three years. He had been a soldier in the 3rd Company of the 2nd Battalion in the 2nd Regiment of the combined troops formed by the Vietnamese troops and the troops of the Heng Samrin Regime. The troops he was staying with were especially responsible for driving the ordinary Cambodian civilians to the border areas to fell trees and dig ditches. Over the past few years, he has seen with his own eyes numerous Cambodian civilians killed and Cambodian women raped by the Vietnamese soldiers. He also saw Vietnamese troops dropping poison into the wells and rivers to kill the local villagers. The troops he was staying with did not dare to exchange fire with the anti-Vietnamese forces but were particularly ruthless towards the defenseless Cambodian civilians. He said that in the two months since he was captured, he had been well treated by the National Army of Democratic Kampuchea. After making a comparison, he deeply felt that he owed much to the Cambodian people. He said: "Now I understand that all the remarks made by the officers in Hanoi were falsehoods."

A soldier called Su Mai (4792 6701), who had been a soldier in the troops of the Heng Samrin Regime and had crossed over to Kampuchean resistance forces, pointed to the captured Vietnamese soldiers and said that in the combined troops formed by the troops of the Heng Samrin Regime and the Vietnamese troops, the troops of the Heng Samrin Regime hate the Vietnamese troops very

much. When fire breaks out, the troops of the Heng Samrin Regime always have to take the lead. And when retreating, the troops of the Heng Samrin Regime always have to take the rear. When the Vietnamese troops do not have enough to eat, the troops of the Heng Samrin Regime will usually have nothing to eat. In fact, fighting once broke out between the Vietnamese troops and the troops of the Heng Samrin Regime in the combined troops he served with. As a result, he escaped from the fighting and crossed over to the National Army of Democratic Kampuchea.

Nearly all the Vietnamese soldiers who surrendered to or were captured by the Kampuchean resistance forces told us that at present, most of the Vietnamese troops just hide in their strongholds or in the cities and towns. A large number of Vietnamese troops are deployed along the vital communication lines to protect these communication lines. They admitted that over the past few years, the combat effectiveness of the Kampuchean resistance forces has been greatly strengthened. The Vietnamese troops are now unwilling to go out to carry out mopping-up operations. The psychology of fearing death and of war-weariness now prevail among the Vietnamese troops stationed in Cambodia. A regimental commander of the National Army told our reporter: "According to my experiences in fighting against the Vietnamese troops over the past few years, I can see that the combat effectiveness of the Vietnamese troops is obviously declining."

Over eight years ago, the Vietnamese authorities miscalculated the situation and tried to swallow Cambodia with a lightning war and then force the international community to accept the fait accompli of its occupation of Cambodia. However, the result is just contrary to the wish of the Vietnamese authorities. Now, Cambodia has become the spur in the throat of the Vietnamese authorities. The situation depicted by the captured Vietnamese soldiers shows the aggressive war launched by the Vietnamese authorities against Cambodia does not have the people's support is therefore doomed to fail.

/12913

CSO: 4005/612



## LIAOWANG URGES CUTS IN EXCESSIVE CONSUMPTION

HK301111 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 17, 27 Apr 87 p 1

[Letter from Beijing by Bao Xin (7637 0207): "Why Is It Necessary To Compress The Atmosphere in Economy?"]

[Text] Dear Brother,

You asked whether there was an economic crisis in China just because the newspapers here repeatedly called for "curtailing excessive investment and consumption" and carrying out a drive to "increase production and practice economy, and increase income and retrench expenditure."

Economic crisis is also called economic panic. It is a periodic crisis which erupts due to overproduction in the course of capitalist reproduction. Such economic crises originate from the contradiction between mass production and capitalist private ownership. Such contradiction does not exist in socialist countries and as a result, they do not have the problem of economic crises. Nevertheless, economic confusion arising from the drastic rise and fall in production during the development of the national economy, occurred in mainland China during the "Great Leap Forward" and the "Cultural Revolution."

Has the latter occurred again in China today?

Seven years have elapsed since China introduced reform and opening up. The economy of the whole nation has increased in a sustained manner and no drastic fluctuations have so far taken place in the economy and production. From 1979 to 1985, the total output value of agriculture and industry increased at a yearly average of 10.1 percent, while national income increased at an average of 8.8 percent. Viewed from the overall economic situation, the growth is higher than the 29 years before 1978 and the economic fluctuations between the years are less drastic than the past. We have put an end to the economic structural imbalance caused by the 10 years of turmoil during the "Cultural Revolution." Agriculture, and heavy and light industry have developed in a coordinated manner. The backward situation of 800 million peasants farming to feed the population is changing. More than 60 million peasants have engaged themselves in industry, commerce, transportation, building trade, and catering. The total output of grain reached over 390 million tons last year. These figures show that the social material production departments are



thriving and that we do not have the problem of economic confusion or production decline.

Have major problems occurred in our international economic exchanges? China has put an end to its closed door policy since the 3d Plenary Session of the 11th CPC Central Committee seven years ago. In 1978, the volume of China's imports and exports accounted for only 5.2 percent of its gross national product. The figure rose to 12.7 percent in 1985, a 144 percent increase. The volume of imports and exports increased at an average of 24.6 percent annually, a 320 percent increase over the yearly average of 7.7 percent growth in the 29 years before 1978. China's economy is changing from a semi-secluded type into an open one and the excellent current situation has seldom been seen before.

Are the people leading such a hard life that they have to tighten their belts? Over the past seven years, the economic guidelines that put stress on production and ignored consumption have been reversed. Savings deposits of urban and rural inhabitants have increased from 21 billion yuan in 1978 to 223.7 billion yuan in 1986. The people are quite well off at the moment. Let us have a look at the 800 million peasants. The average per capita income of peasants rose from 130.57 yuan in 1978 to 397.6 yuan in 1985 (price hikes are considered), an increase of around 200 percent. The increase of more than 200 million workers' income in urban areas has been a bit lower than that of peasants. The annual average per capita wage for workers was 1,148 yuan, an increase of 87 percent over 1978. It is thus clear that the people have received benefits and are leading a better life than in the past.

Has anything gone wrong with reform? If so, it would have been impossible for us to achieve the economic successes. Reform has brought forth the following changes to China's economic structure: First, the "big pot" has been smashed in rural areas, the contracted responsibility system on a rural household basis has been implemented, and the initiative of the 800 million peasants has been aroused; second, in urban areas, the unitary public sector of the past has become a new economic structure in which the collective and private sectors, joint ventures, and exclusively foreign-owned enterprises coexist under the predominance of the public sector; third, with the reform of mandatory product economy and development of a planned commodity economy, only one-fifth of the mandatory planned quotas has been retained; and fourth, irrational prices have been readjusted by increasing the prices of farm produce, raw materials, and fuel which were too low in the past, and regulating the tax, interest, and exchange rates. The state has exercised control over economic operation by economic rather than administrative means. These reforms have produced good results and promoted production, circulation, and consumption. Such a trend has developed continuously.

Under these circumstances, why should China "curtail its over-expanded investment and consumption" and go in for increasing production and practicing economy? According to recent figures published by the State Statistics Bureau, in the first three months of this year, the total output value of industry and agriculture increased by 14.1 percent, retail sales increased by 11.9 percent, and import and export volume increased by 7.6 percent compared with the corresponding period of 1986. Nevertheless, there are the following

hidden troubles amid the favorable situation: First, the excessive growth of investment, particularly the large numbers of new projects developed by local areas with ex-budgeted investment which totaled 23,000 in the first quarter of this year; second, purchases by social groups went up 26.4 percent compared with the same period of 1986, increasing by a wide margin; and third, enterprises developed production but failed to achieve better economic results and the number of enterprises running at a loss increased. All this is due to the following reasons: First, the comrades in charge of economic work in a number of departments and localities are always trying to take the opportunity of reform to develop projects and to put an end to their backwardness as quickly as possible; second, some comrades have gone in for ostentation and extravagance and attempted things that exceeded their capability; and third, a number of enterprises recklessly issued bonuses, sent gifts, and entertained guests, to fawn on staff and workers and to sell their products. If these unhealthy tendencies are not curbed, we will lose everything accumulated since reform and opening up. For this reason, the CPC Central Committee and State Council have repeatedly issued instructions since the beginning of this year, calling on all localities to keep sober minded, carry out construction according to China's national capacity, foster the idea of steadily developing the economy, and never attempt to make a success of reform and opening up overnight.

So far as I know, the drive to curtail excessive investment and consumption and to increase production and practice economy in China, has been put forward under such a background.

Bao Xin  
21 April 1987

/12913  
CSO: 4006/655

## SEPARATION OF GOVERNMENT, ENTERPRISES VIEWED

HK270534 Beijing JINGJI GUANLI in Chinese No. 2, 1987 (Undated) pp 35-36

[Article by Zhu Pingrang (2612 1627 1099): "Thoughts on Further Resolving the Problem of Separating Government and Enterprise Functions"—edited by Liu Qichang (0491 0366 2490)]

[Text] Realizing the separation of ownership rights and operational rights and the separation of government and enterprise functions is a major task in deepening the reform of the economic structure and further enlivening enterprises.

Our economic structural reform is now at this stage: Enterprises want to shirk the administrative jurisdiction relationship, and be in charge of their own operations and their own development. However, they do not dare to break away from the administrative jurisdiction relationship because if they do, they will not be able to obtain funds and materials which they can only receive through the administration system; the government macroeconomic management departments also do not want to do away with the situation in which they have various administrative organs managing enterprises, because if they did, in a short time they would find it difficult to control the economic situation. However, if we do not thoroughly free enterprises from the administrative jurisdiction relationship and we give them only limited powers, it will be difficult to form an excellent market system. It seems that if we want to resolve this situation in which neither side is willing to budge, we have to find a way which can further realize the separation of ownership rights and operation rights and really achieve the separation of government and enterprise functions. The adoption of contract and leasing systems which expand the responsibilities, rights and interests of enterprise operators and enable them to the right of operation to become independent to a greater degree is a good method. However, if we are restricted to these it will be difficult to resolve the problem of separating government and enterprise functions. Also, this does not free enterprises from their administrative jurisdiction relationship with management departments and contractors will still have to contract with management departments. A management department (such as a bureau) confronted with tens or even hundreds of enterprises will find it very difficult to contract correctly, very difficult to eliminate artificial factors and very difficult to clearly set down the economic responsibilities of the contractors or lessees. When a contract fails the losses suffered by the contractors are not proportional to the losses suffered

in terms of state assets, and it is very difficult to pursue the individual responsibility of leaders in management departments. The contracts and leasing agreements are signed for a period of several years and it is very likely that they will be obstructions in the abolition and merging of some administrative organs during further political structural reforms. If this is done badly it will be difficult to abolish even second-level administrative corporations.

Historical experiences have proven that it is very difficult to use the contract method to handle the relationship between the state and enterprises. Enterprises which are stuck in one administrative system find it very difficult to become an independent legal person in the commodity economy. I believe that using the ownership organizational form of the shareholding system to realize the separation of ownership rights and operational rights and the separation of government and enterprises functions, and with enterprises adopting the contract form to handle the rights-responsibilities-interests relationship between the representatives of ownership rights and the operators, to establish a responsibility system--combining the shareholding system and the contract system--is a superior method.

On the basis of the shareholding system we can establish various specialized or comprehensive investment companies and the state can hold the shares of the investment companies through financial departments (such as the State Bureau of Assets Management). State-owned funds in various state-owned enterprises under first-level government departments shall, through accounts transfer, become shares in an investment company, held by the first-level government financial department and the corresponding company will hold this enterprise's shares. This is a fairly easy thing to do. However, this will produce an essential change since the enterprises will have shed the original administrative jurisdiction relationship. An investment company is a profit-seeking organization and will be responsible for the operation of state assets. It will not be under the jurisdiction of any first-level government administrative department. It will be able to accept investments from government departments at all levels in all places and will also be able to raise funds by floating shares in society. Investment companies will be able to spread the investment risk of shareholders and will benefit in drawing in investment, including the drawing in of investment from enterprises, individuals and the limited use of foreign funds. The investment company will be managed by a board of directors elected by the shareholders or shareholders representatives and it will take economic responsibility for investment effectiveness.

The investment company will be responsible for appointing directors for enterprises for which it is the holding company, and the directors will be representatives of the right of ownership. They will also have to establish an appropriate responsibility system. Their income must be linked with the income of the enterprise they are participating in the management of, and the enterprise may hand over a certain proportion of bonus dividends to the investment company. The enterprises will implement the factory manager responsibility systems for operations and the board of directors will only manage two matters in the enterprise: 1) the open invitation of applications from the society for appointment as the enterprise's manager; 2) the



formulation and assessment of the operator's goals in his period of tenure, and the signing of leases or contract agreements with the operator. The board of directors must ensure that the selected goals and the forms of assessment can effectively guide the manager (or director's) operational activities towards rationalization, can automatically control the growth in consumption and blind investment and are reserve strengths in striving for efficiency and the questing for enterprise development. The board of directors, as the awardee of the contract or the lesser, must take on clear economic responsibility.

Enterprise groups can only arrange well the economic benefit relationships between the state and the enterprises, the center and the localities, between different localities, between departments and even between enterprises (including enterprises under different ownership systems) within the group, on the basis of the shareholding system and through the economic modes of participatory shareholdings or controlling shareholdings. Otherwise it will be difficult to avoid having them operate as administrative companies.

In the future the state should mainly hold several hundred large investment companies and enterprise groups and implement direct dialogue and indirect control. By holding these leading companies it will grasp the overall situation and will be able to control the orientation of socialist economic development. The subsidiary companies at various levels will be managed and guided through the use of economic methods by these parent companies and holding companies. In this way it will be possible to build a framework of a planned management system which accords with the demands of developing a commodity economy.

Small-scale industrial enterprises, in carrying out the conversion of their net assets (the enterprise's assets less debts) into shares and their sales, and in realizing "joint-stock operations and joint responsibility for profits and losses," can take slightly larger steps. In some small enterprises the state-owned shares need not form the majority. The workers within the enterprises can subscribe to the shares or the shares can be offered to society. However, the income derived from selling the state's shares must be returned to the financial administration.

/12913

CSO: 4006/655



## JINGJI RIBAO ON NECESSITY OF UNEMPLOYMENT

HK121000 Beijing JINGJI RIBAO in Chinese 18 Apr 87 p 2

[Article by Chen Feng (7015 6912): "A Fresh Understanding of The 'Waiting for Employment' Problem"]

[Text] For many years we have considered unemployment a unique phenomenon of capitalism and thought that socialism could eliminate it. Even when very serious problems of unemployment occurred, we still concluded that this was a temporary phenomenon due to mistakes in our work. The solution was to assign five people to do the work of three, and divide the rice for three people among the five. Under the conditions of China, within a certain period, this could indeed stabilize society but it also brought about many disadvantages.

Following the gradual development of the reform of the labor system and social security system, we are confronted with the task of re-understanding and correctly dealing with the phenomenon of "waiting for employment." It is necessary for us to begin with the basic theories of socialism and have a re-understanding of the problem of unemployment to see if it is inevitable that some of the labor force must "wait for employment" under the socialist commodity economy, to see if there is any positive meaning in the development of the commodity economy, and to see how the socialist countries should deal with this problem, etc.

Existence of the Phenomenon of Waiting for Employment is a Universal Law in the Commodity Economy

From the point of view of the basic structure of production relationships, natural economy corresponds to primitive, slave, and feudalistic labor, employment; the commodity economy corresponds to capitalistic and socialistic labor employment; and free economy corresponds to communistic labor employment. Due to the fact that both the socialist and the capitalist societies are now in the historical stage of commodity economy, they are governed by certain laws of development common to all commodity economies.

In fact, in Marx's discussion on the industrial reserve army under the capitalist commodity economy, reflections on the universal laws of the commodity economy was included. Bourgeois scholars also study the problems of unemployment extensively, and their studies also include reflections on the universal laws of the commodity economy. The social class standpoint of the

two are basically different, but their common point is that both of them think that it is inevitable that some of the labor force will be unemployed under the conditions of a developed commodity economy. According to the causes of such phenomenon, unemployment can be classified into three categories:

**Aggregate unemployment:** this category of unemployment is the result of the total labor supply becoming greater than the demand. This is due to the fact that the number or rate of growth of the labor force brought about by population growth becomes greater than the ability or the rate of increase of the ability to absorb the labor force by social production activities. This is unavoidable in the present stage of social development. Another cause of this kind of unemployment is the continuous increase of the organic structure of production funds, which results in the decrease in the demand for labor. This is an inevitable trend as a result of mass production by machine. It will result in unemployment when the relatively supply of the labor force remains unchanged or increases. Two methods can be used to solve this kind of aggregate unemployment. One is the sacrifice of efficiency and the adoption of compulsory employment, but this contradicts the nature and objective demand of commodity economy. The second is the absorption of the surplus labor force by setting up new production departments. But this requires time and entails considerable involvements. Therefore, aggregate unemployment is inevitable.

**Structural Unemployment.** This is the phenomenon of the simultaneous occurrence of unemployment and vacancies. This is due to the fact that the qualification structure or geographic distribution structure of the labor force in the society are not in harmony with the corresponding demand structure of the social labor force. This results in the appearance of vacancies on one hand, and the inability to satisfy for qualified labor on the other, situation where "Some people have nothing to do and some things have no people to do." In order to eliminate such phenomenon, it is necessary to improve the qualification of the unemployed labor force to a standard which can meet the demand of different posts, or to readjust the geographic distribution of the labor force. Various arrangements are needed in each case. Moreover, new harmony will result after such adjustments. Therefore, the occurrence of structural unemployment is also inevitable.

**Transfer Unemployment.** This is the unemployment which occurs as a result of the transferring of labor force. The cause is that some of the enterprises and labor force are eliminated as a result of inevitable competition.

Arrangements must be made to transfer this part of the labor force to other enterprises. This is involuntary transfer unemployment. The second cause is that, in a labor market where the workers can choose their own careers, very often a process of comparison and option is needed by the labor force in order to get a satisfactory position. This is voluntary transfer unemployment. Both these two are of inevitable nature.

Generally speaking, a relative surplus in labor and the unemployment of some of the workers are an inevitable result of the commodity economy and are conditions of the existence and development of the commodity economy. The development of the capitalist commodity economy in these one hundred odd years proves this point and the practice of economic reconstruction in the socialist

countries can also serve as an evidence. Therefore, the existence of an industrial reserve army is a universal law in the development of commodity economy.

#### **In the Socialist Commodity Economy, Does Limited Unemployment Play Any Positive Role?**

Under the conditions of a combination of commodity economy and capitalist ownership system, it is inevitable that the capitalist class takes advantage of the unemployment phenomenon and uses it as a powerful lever to exploit the surplus value of the proletariat. The purpose of the unemployment security system under capitalist conditions is not to protect the interest of the working class but to protect the smooth progress of capitalist re-production and the rule of the capitalist class, so that the capitalist class remains in a more favorable position, not the proletariat. Of course, unemployment can still satisfy the demand for progress and development of the commodity economy.

Under the conditions of a combination of commodity economy and socialist public ownership system, the phenomenon of unemployment extricates itself from the control and exploitation by the capitalist class. Due to the fact that the public ownership system is playing a leading role, self-adjustment in the market can be better utilized, and, as a result, major fluctuations in production can be avoided. Thus, the phenomenon of unemployment can be put under the effective macroeconomic control of the country and will not develop into a very serious degree. The nature of the socialist public ownership system leads to the result that the social security system under socialism to be built up actively and positively. This kind of security system not only adapts to the normal existence of the industrial reserve army produced by the development of commodity economy, but truly protects the legitimate interest and rights of the laborers.

Though our country's employment system after liberation did play a positive role in some respects, such evils as egalitarianism and the "iron rice bowl" are very obvious. Absence of the risk of unemployment leads to laziness and dependence of the laborers. Positions are occupied by an unqualified labor force. The employment system which has no room for manoeuvre prevents the enterprises from adjusting the number and structure of the labor force according to the actual production requirements and this results in the large amount of potential unemployed population hidden in the enterprises internally. The political aim of preventing unemployment makes bankruptcy and elimination of inefficient enterprises impossible. Many poorly managed enterprises manage to survive by continuing to eat from the "big pot" provided by the country.

The direction of the economic structural reform in our country is to build up an economic system which can adapt to the development of the commodity economy. This requires compliance with the objective law of the operation and development of commodity economy. We can avoid only the disadvantage of capitalism, but we cannot avoid the "disadvantage" of the commodity economy. This "disadvantage" is relative to the future free economic state. It is a historical improvement relative to the natural economic state. If we adopt a

positive social security and employment training system, objective limited unemployment under the socialist conditions will benefit the increase in social economic efficiency, strengthen the motivation of the laborers to improve and better themselves, improve the competition environment for the enterprises, and bring about a self-adjustment and self-renovation mechanism for the socialist commodity economy. If we say that unemployment is a certain price which must be paid by society and the laborers, then part of the payment is for the sake of overall gain. Temporary loss is for the sake of permanent benefit.

In order to ensure that limited unemployment becomes a positive metabolic phenomenon of the socialist commodity economy as a whole and try to reduce as much as possible its negative social consequences, besides a planned control of population growth and market regulation through strengthened guidance on the supply and demand for labor, it is necessary to establish a sound unemployment security system, employment training and employment introduction system, to change the present unit security system to a social security system, to establish a unified and multiple social security system, to enable the laborers to receive sufficient and reliable basic living security, to develop a sound employment training system, to enable the laborers to get the professional knowledge and working skills necessary for re-employment, to establish a good and unified information net work for labor supply and demand as well as an employment introduction system for the labor force, to enable the unemployed laborers to match the suitable vacancies at the right time, to perfect the labor law and contract system so as to provide legal protection to the laborers' right of employment and prevent illegal violations.

The ideological resistance to the reform of the labor employment system comes mainly from the long established one-sided concept that the socialist employment system is superior. Therefore, we must tell every laborer that reform is not for the sake of present interest, but to provide a chance for hard work. In order to enjoy the fruit of reform we must be prepared to pay the necessary price. If we do not travel by the ship of commodity economy during the developing stage of socialism, it is impossible for us to reach the brilliant coast of communism. So we must accept all the things inherent in the commodity economy including the joy and certain pain.

/12913

CSO: 4006/655



## PRC ECONOMIST ADVOCATES JOINT-STOCK SYSTEM TRIAL

HK120450 Hong Kong MING PAO in Chinese 1 May 87 p 9

[Special Dispatch from Beijing: "Jiang Yiwei On the Joint-stock System"]

[Text] Noted Chinese economist Jiang Yiwei holds that the joint-stock system can be put on trial in state-owned large- and medium-sized enterprises.

While heated disputes over the implementation of the joint-stock system for state-owned enterprises are going on in theoretical and economic circles, Jiang Yiwei answered some inquiries on the joint-stock system, at the request of (Liyuan Rihua) [7787 3293 2480 0553] Company Limited in Beijing. He believes that state-owned enterprises can introduce the joint-stock system on a trial basis.

Jiang Yiwei said: The ongoing disputes over the joint-stock system are very heated. Some people are strongly against the system, saying that the introduction of such a system will constitute a violation of the Constitution. At the present stage, everybody, from the higher levels to the grass roots, agrees that the ownership and the management of state-owned enterprises should be separated and the lease and contracting systems can be adopted. But these systems are more applicable to small-sized enterprises. After all it seems impossible for a single individual to manage a large- or medium-sized enterprise on lease or on a contracting basis. Therefore we must tolerate other management forms. For example the cities of Chongqing and Shenyang welcome all kinds of reform system, including the joint-stock system, to be introduced there on a trial basis.

The noted scholar pointed out: now there are many different concepts either among those who favor or do not favor the joint-stock systems. Those who support the joint-stock system do not have a unanimous view, while those who oppose the system have divergent ideas. One of the focuses of the disputes is the issue concerning distribution of stocks to the public, including the profit earning strata, speculators, and so on.

The program we propose is called the labor common ownership system [Lao Dong Gong You Zhi 0525 0520 0364 2589 0455], Jiang Yiwei said. The whole people ownership stocks [Quan Min Gu 0356 3046 5140] are owned by the laborers of the



whole country; while enterprise owned stocks [qi ye gu 0120 2814 5140] have to be classified into two different types. If a big collective is a block, then a small collective will be a grouping together of smaller holdings which has the form of a cooperative. A big collective can be regarded as under the ownership by the whole people on a smaller scale but it assumes a more concrete form. In brief the enterprise-owned stocks are funds accumulated over the years by all the staff members and workers who have worked with the enterprise which are owned by the whole group of laborers; or they are stocks bought by staff members and workers with their personal income and are owned by individual labors. This "three-in-one" structure, consisting of the ownership by the whole people, the ownership by the big collective, and the ownership by the small collective, does not go beyond the category of public ownership. Therefore it is called to labor common ownership system or, in Chongqing, joint-stock system for enterprises under the public ownership.

Jiang pointed out that at present there are at least two types of joint-stock systems. The first type is the system under which stocks are bought by individual workers and staff members of the enterprise. This cannot be counted as the private ownership system because staff members and workers work with their own enterprise where the principle of distribution according to work is practiced, and they can share only a fixed amount of dividends according to the proportion of their shares. A joint-stock system can be counted as a system under the private ownership only if the amount of shares to be held by an individual is not limited or if stocks can be freely bought by people outside the enterprises. Another type of joint-stock system is one under which stocks are sold to the public. In this case, if 70-80 percent of the stocks are held by the enterprise under the public ownership and the rest sold to the public, it can still be counted as an enterprise under the public ownership. Now the problem is that people fail to distinguish these two types of joint-stock system from others.

Jiang Yiwei said: In the current reform of the ownership system, the nature of the ownership must be kept unchanged, but many forms can be developed and the practical methods can be changed. The major problem is that the ownership must be clearly defined and recognized. Who is to keep the ownership, what kinds of power are to be granted, what the extent of the power will be, and whether the enterprise is to be operated by an appointed chairman of the board of directors or directly operated by shareholders, all these points have been rather ambiguous in the past. Now if all of them are clearly defined, all enterprises will have a standardized procedure to follow.

/9738

CSO: 4006/638

## STATE ENTERPRISE OWNERSHIP BY LABORERS OPPOSED

HK040400 Beijing JINGJI YANJIU in Chinese No 2, 20 Feb 87, pp 45, 65-66

[Article by Zhu Kaixi [2612 7030 1885] of the People's Bank of China Management Cadre Institute: "A Discussion on the Idea of a System of Individual Real Ownership by Laborers"--written in November 1986]

[Text] The reform of the ownership structure has already become the "bottle-neck" in our nation's present economic structural reforms. People have put forward many ideas on reforming the present system of sole state ownership and some of these ideas are now being experimented with. Comrade Li Weisen has also proposed a preliminary idea for reforming the state ownership system and establishing a "system of individual real ownership by laborers (Footnote 1) (Li Weisen: "A Preliminary Concept on the Establishment of a System of Individual Real Ownership by Laborers" carried in JINGJI YANJIU 1986, No 11) This provides a new train of thought on the reform of the ownership system. However, the correctness and feasibility of this train of thought need further discussion. The system of individual real ownership by laborers was put forward to change the situation of "empty ownership" under the present state ownership system whereby all people are owners of the means of production but no person has the right to control the means of production or the right to possess economic income from the means of production.

The central idea in the system of individual real ownership by laborers is that regardless of where enterprises' funds initially originated, after various production processes the value of the assets of all enterprises crystallize to become the accumulated labor of the laborers of that enterprise. Thus, it is feasible to again return to laborers' individual ownership that share determined by the length of time they have worked in the enterprise and the size of their labor contribution. In essence it is to turn all the current assets of state-owned enterprises over to individual ownership by laborers. Thus, I feel, requires discussion. First, the author directly uses the principle explained by Marx that all the capital of capitalists is the crystallization of the workers' labor and this can be expropriated and taken back by the workers in examining the funds of today's state-owned enterprises. This is not necessarily appropriate. The capital of the capitalists is accumulated through exploitation. However, the accumulation of funds in socialist state-owned enterprises is a necessary deduction of "the additional amount for use in expanding production." It is the labor which the workers supply to society. The amount workers

receive has already all been taken out as the workers' individual ownership in accordance with the principle of distribution according to labor, and there is no reason to require that workers further take the labor accumulation which they previously provided to society. Otherwise it will be the same as negating the distribution according to labor in the past. Second, this idea of not considering where enterprises' funds originally came from is extremely unscientific and while it can be used in examining capital accumulation by capitalists, it is not appropriate for examining funds accumulation in state-owned enterprises. Quite a proportion of the funds of state-owned enterprises were left by the preliberation capitalists and a considerable part was formed through accumulation provided by peasants. Completely disregarding the origin of funds and seeing them as the crystallization of workers' labor is undoubtedly incorrect. Third, it is extremely unfair to decide on the shares of all workers in accordance with the length of time they have been workers in the enterprise and the size of their contribution and exclude the vast number of peasants from the "ownership share" distribution. At the same time, this also negates the nature of state-owned enterprises as being owned by the whole people. Fourth, if all of the assets of enterprises are allocated to the ownership of individual laborers it will be difficult to claim that the public ownership of socialist enterprises is being maintained. Thus, I believe that we cannot see the system of individual real ownership by laborers as a new type of public ownership.

With respect to determining the individual ownership shares of laborers, the author proposed the formula:  $P_{\text{subscript } q} \text{ equals } W \times P_{\text{subscript } r} / V$ . In this  $P_{\text{subscript } q}$  is the annual ownership certificates share to be received by the individual laborer,  $W$  is the annual wage of the individual laborer,  $P_{\text{subscript } r}$  is the surplus profits of enterprises, and  $V$  is the total amount of annual wages of the enterprise. Considering the various irrational factors, the author proposed that  $P_{\text{subscript } r} / V$  be determined in a unified way by the state and pointed out that  $P_{\text{subscript } r} / V$  is a highly flexible coefficient. In this way,  $P_{\text{subscript } q}$  is determined by  $W$ . Waiting until the system of individual real ownership by laborers is established and then having each enterprise determine its  $P_{\text{subscript } r} / V$  is undoubtedly correct. However, using  $P_{\text{subscript } q} \text{ equals } W \times P_{\text{subscript } r} / V$  to determine the ownership shares of the crystallization of previous labor by laborers needs thought. First, those people who obtain  $W$  are only a portion of the whole body of laboring people, that is the employed workers. However, the object of distribution is the assets owned by the whole body of laboring people. Thus, it is difficult to support in theory. Second, because the labor wage system is irrational it is very difficult for  $W$  to reflect the size of laborers actual contributions. Third, because  $P_{\text{subscript } q}$  is determined by  $W$ , it will inevitably result in the staff and workers of enterprises competing for promotion and attention will not be paid to the size of a laborers' contribution.

In the idea of "a system of individual real ownership by laborers," the state will no longer have any ownership rights over enterprise assets and all ownership rights will be specific, concrete and individualized. Under the ownership certificate system each laborer with ownership certificates will, at the end of each year, obtain "fruits" (economic benefits obtained through ownership certificates). Also, ownership certificate markets will be established and

the interflow, purchase, sale and inheritance of the ownership certificates will be permitted. It will also be possible to discount them at banks. A meeting of staff and workers who hold ownership certificates will elect a standing committee (like a board of directors) which will make decisions on major and strategic questions and will appoint or call for applications for the post of factory director. Seen from the characteristics of the individual real ownership system by laborers, it is a system of pure private share ownership with the state having no controlling shares. The system of individual real ownership by laborers basically negates public ownership as a foundation. Although the author holds that this is a new form of public ownership, in fact this new form of public ownership gives all assets to individual ownership and the state no longer has ownership rights over the assets.

Summarizing the above, the system of individual real ownership by laborers is not a scientific concept and cannot be supported in theory. Can it, then, be successful in practice?

We have already pointed out that there is no essential difference between the system of individual real ownership by laborers and a system of pure private share ownership with the state having no controlling share. It is further divorced from public ownership than the shareholding system and it is very difficult to see this as an orientation in the reform of the whole-people ownership system. As to whether the shareholding ownership system can be seen as an orientation in the reform of the ownership system, the author points out: "The turning of the assets of state-owned enterprises into share-owned assets cannot at present be carried out and would not be acceptable to society." However, could the system of individual real ownership by laborers be carried out and would it be accepted by society? The answer is also negative.

1. The basic problem of the old economic structure was a lack of separation between government and enterprise functions resulting from the combining of enterprises' ownership rights and operational rights. The basic avenue for the reform of the old economic structure lies in separating government and enterprise functions and separating ownership rights and operational rights. The difficulties encountered in the economic structural reforms are not problems brought about by the separation of the two powers, but problems brought about by the fact that the old structure, in which the two powers are combined, has basically not been eliminated. Enterprises' activities are basically rational and key lies in the activities of government and the enterprises' external environment. (Footnote 2) (Zhou Zhenhua [0719 2182 5478] et al: "An Analysis of the Trends in Current Enterprise Activities: The Unity of Internal Rationality and External Irrationality" in JINGJI YANJIU 1986, No 10) However, the system of individual real ownership by laborers "unifies, within the enterprise itself, the ownership and operations," thereby directly combining the two. Thus, this plan does not grasp the essence of the problem and it will not be effective in resolving the basic microeconomic problems in economic movement.



2. The idea of the system of individual real ownership by laborers hopes that by directly combining ownership and operational rights, the holders of ownership certificates will concern themselves with the economic benefits of the enterprise, thereby establishing a rational motivation mechanism and resolving the problem of enterprise activities being irrational. In fact, the establishment of a rational motivation mechanism can be achieved without directly combining ownership and operation rights. The key to this lies in directly combining the economic interests of operators with the growth of assets and economic results of the enterprise. If, in the system of individual real ownership by laborers, there can be interflow, purchase, sale and inheritance of ownership certificates, after the ownership certificates market is established, although the "fruits" of the ownership certificates will be determined by the economic income of the enterprise, the income of holders of ownership certificates will be directly determined by the ownership certificate market. The ownership certificate market, like the shares market, recognizes certificates, not people. If someone's enterprise has poor results and the income from the fruits is poor, a holder can sell his ownership certificates of that enterprise and purchase those of another enterprise. Thus, it is not possible to realize the wish that the holders of ownership certificates will concern themselves with the economic results of that enterprise.

The reform of the ownership system needs to be beneficial to both the micro-economic enlivening of enterprises and to macroeconomic control. Microeconomic enlivening is determined by the capacity to exercise macroeconomic control. If we cannot achieve this requirement then it is inevitable that a situation will arise in which change will give rise to chaos. Under the system of individual real ownership by laborers, because the state does not have controlling ownership certificates, the state has no way to exercise effective macroeconomic control. Clearly, this system only considers the microeconomic enlivening of enterprises and overlooks social macroeconomic control. Thus, it cannot be seen as a good form of ownership. If enterprises lose external intervention and guidance, and organize commodity production purely in accordance with market commodity economy principles, then the socialist planned commodity economy will inevitably come to naught and it will be difficult to exclude the blindness of the commodity economy.

4. The system of individual real ownership by laborers does not differentiate between the nature and scale of state-owned enterprises and wants the assets of all of them to be handed over to individuals. This basically determines the incorrectness and non-feasibility of this train of thought in ownership reforms. State-owned enterprises include nonprofit enterprises such as basic public facilities, normal profit-making enterprises and commercial service enterprises. Regardless of whether we look at this from socialist economic practice or use the experiences of economic development in capitalist countries as reference, it is necessary for the state to control a part, or even the majority of basic public facilities and other nonprofit enterprises. If we do not distinguish between different state-owned enterprises and hand over the assets of all enterprises to individual laborers, because the value of the ownership certificates of different enterprises will be different, it will



inevitably result in difficulties in the concrete individualization of the assets. Ownership certificates of the same amounts may bring in greatly differing fruits. Not only will this depend on the existing operational level of the enterprise, but also on the nature, location, external environment and previous operational levels of the enterprise. It will be very difficult to find ways to calculate which will exclude the unevenness and irrationality that will occur in the concrete individualization of the ownership certificates due to these differences. Thus, it will inevitably lead to social friction and conflict, and bring new problems and difficulties to the economic structural reforms.

In summary, the system of individual real ownership by laborers, as a train of thought in the reforms, would be very difficult to realize and would not be accepted by society.

/9738

CSO: 4006/638

## CURRENT MACROECONOMIC PROBLEMS ANALYZED

HK080441 Beijing JINGJI YANJIU in Chinese No 2, 20 Feb 87 pp 29-36

[Article by Zhang Fenbo [1728 7364 3134] of the Economic, Technological and Social Development Research Center under the State Council: "Theoretical Reflections on Some Current Macroeconomic Problems"]

[Text] How should we assess our nation's current economic situation? How should we look at our nation's macroeconomy? These are questions which must be answered if we are to make our nation's economic decisionmaking scientific. Below is a preliminary analysis of several questions in our nation's macroeconomy at present which have attracted people's attention.

1. Reflection and thoughts on the curtailment policy

For the last few years our nation's economic development has maintained fairly high growth rates. In the years 1983, 1984, and 1985 the annual growth rates in gross social product value were respectively 10.3 percent, 14.7 percent, and 16.5 percent, and the annual growth rates in gross industrial output value were 10.5 percent, 14 percent and 18 percent. Because of the problems in imbalance where excessively high growth led to investment and consumption inflation and control over foreign exchange and credit was lost, after the 1985 spring festival the central authorities adopted macroeconomic control policies of tightening credit and financial expenditures to allow the national economy to free itself from the "overheated" situation. The results gradually began to be seen in the latter half of 1985. They became especially clear in the first half of 1986 when national economic growth and especially growth in industrial production slowed down. The industrial growth rate was only 4.9 percent. From the third quarter, following the alleviation of the curtailment policy, industrial production revived. In 1986 the industrial production growth rate was 9.2 percent and it is estimated that national income grew 7 percent over the previous year.

The most basic issue in macrocontrol of the national economy is the question of balancing total social demand and total social supply. The current macroeconomic imbalance problem which has appeared in our national economy in terms of quantities is more clearly manifested in the fact that total demand exceeds total supply. When the national economy experiences the contradiction of total

demand being greater than total supply it is possible to adopt two different responses. One is the ideal, positive form. Through continuing to expand production, increasing the capacity of total demand and total supply at a fairly high level to achieve a balance in the supply-demand relationship. The other is the forced, negative form. Through reducing production and suppressing demand a balance in the supply-demand relationship is achieved at a fairly low level.

The relationship between total social demand and total social supply cannot be looked at in a static or isolated way. We must use the viewpoint of development to analyze it in a dialectical and dynamic way. For example, when investment in fixed assets is growing, there is a need for large amounts of raw materials, fuel, means of transport, etc. There is great demand on society in terms of personnel, materials and finances. However, after the production facilities are completed, they will form a strong supply capacity. A relatively small amount of investment will produce quite a large total social demand and total social supply and will form a balance in the national economy supply-demand relationship at a new level. This sort of investment activity accompanying technical development is a basic motivating force in promoting economic and social development.

Because of restrictions by various factors in macroeconomic policies in the latter half of 1985, our nation basically adopted the form of suppressing total demand. In recent years, the inflation rate for capital construction investment and consumption has increased quickly, which has resulted in it being difficult for the state's financial and materials strengths to bear the pressure of demand. These restricting factors are manifested in the most pronounced way in the shortage of raw materials, a tightness in the energy supply, insufficient foreign exchange and difficulties with enterprises' circulating funds. If we had continued to adopt the form of increasing expenditures and stimulating demand to expand production, the dislocation of the macroeconomy would inevitably have been exacerbated, and prices would have increased more rapidly.

In order to allow the national economy to escape from the situation of being "overheated", and to guarantee that production develops in a sustained, stable and coordinated way, it was necessary to adopt the curtailment policy to control the excessively high speed of industrial growth. At the same time, in response to the problem of excessive construction projects and insufficient funds and materials, and in order to guarantee the early completion of capital construction projects which are of major importance to the overall national economy, which require little investment and which get results quickly, it was also necessary to cease or delay the construction of some projects. The implementation of the macroeconomic control policies has to a certain degree, eliminated the various uncoordinated factors resulting from overheated development of the national economy. The investment and consumption inflation has been controlled and prices have tended towards relative stability.

However, in the process of implementing the macroeconomic control policies, some problems have emerged. The supply-demand relationship contradictions have not yet been basically resolved, the speed of economic growth has declined and economic results have been poor. These have been most prominently manifested as enterprise production costs have risen; the number of loss incurring enterprises has increased, as has the amount of losses; real profit rates have declined; and the labor productivity of workers has generally declined.

## 2. Control of total volumes and structural readjustment

Objectively, our nation's macroeconomic control policies have not realized the anticipated results. The reasons for this are numerous. One of the major reasons is that it has not been possible to target the structural contradictions which exist in the economy and the society, or stressed the structural readjustment policy. In the problem of macroeconomic imbalance which has appeared in our national economy at present, although in terms of total volume it is manifested as total social demand being greater than total social supply, a more prominent and universal contradiction is that of dislocation of the major proportional relationships of consumption and production. Also, the industrial structure, the product structure and the social demand structure are seriously out of accord. Simply suppressing total demand in terms of total volume will not get rid of the structural contradictions.

First, if we look at it from the major proportional relationships of production and consumption, the structural contradiction in our nation's economy is most prominently manifested by the fact that the growth in consumption is far, far in excess of the growth in production. The focus of this curtailment policy lies in suppressing construction projects and it has paid attention to restructuring production-type demand, but it has not been effective in controlling consumption demand.

In the last few years consumption demand has risen rapidly and the multiplication of government organs, the seas of documents and then mountains of meetings have led to a great expansion in administrative expenditures and social expenditures inflation. In 1986 the growth in wages and other expenditures on individuals greatly exceeded the speed of growth of the national economy and industry. In fixed asset investments, nonproductive investment occupied quite a large proportion. On the one hand, in the last few years investment in municipal construction has increased quite quickly. This has been especially true of large government office facilities and luxurious hotels which have not considered financial or material strengths and which have consumed quite large amounts of funds. On the other hand, in order to resolve the housing problem of many residents, housing construction has been increased, and this is of course necessary. However, compared to Japan and other countries, when we view things from the current level of our economy the total investment in housing and total floor-area are not low. It is just that the irrational allocation produces widespread phenomena of inequality. Production-type projects being constructed have been the major targets of this curtailment policy. From 1952 to 1980 investment in production-type fixed assets constituted about 80 percent



of total investment in fixed assets. Since 1981 this proportion has greatly declined and has been maintained at about 60 percent. From January to April 1985 the proportion of production-type investment was 64 percent. From May to December of the same year, following the implementation of the curtailment policy, this proportion fell to 53 percent. From January to September 1986 the figure was only 56.9 percent. A major measure for developing countries which want to promote the smooth development of their economy is to raise the rate of investment. Through temporarily suppressing consumption demand and increasing production-type investment, greater economic wealth is generated. It is difficult for consumption expenditures and non-production type investment with a strong consumption nature in general to form production forces which can directly promote the rapid development of the economy. At present, while our economy is still at a rather low level of development, the rapid increase in these two types of expenditures and a relative decrease in investment by enterprises in renewal and transformation and technical advancement and in other production-type investments is not beneficial to the sustained development of the national economy.

Second, prominent contradictions exist in the industrial structure of our national economy. These contradictions are manifested on the one hand because energy, communications and some raw materials are lacking and in short supply. On the other hand, low-quality cigarettes, bicycles, sewing machines and many other low-grade commodities are overstocked in large quantities, unsalable products have greatly increased, orders for goods have fallen and production loads have been insufficient, resulting in insufficient demand. At the same time, within enterprise there has been a lack of funds and products have been stockpiled. The basic contradiction in our nation's industrial structure is that the development of primary, secondary and tertiary industries is not coordinated and the tertiary industry is backward. Within industries this is prominently manifested in the growth of electricity, mining, raw materials and component part industries lagging behind the processing industry sector. It will be difficult to resolve this structural contradiction simply by using the concept of total social demand and total social supply. The structural contradiction has become the major contradiction in our nation's economy and is a major factor restricting the smooth development of the economy. This contradiction can only be gradually resolved by a targeted readjustment of the economic structure, accelerating the modernization of the industrial structure, suppressing the production of products in over-supply, and increasing the production of products in short supply so that products have ready sales avenues. Restricting the development of production simply in total volume terms can only intensify this contradiction which will result in the economy entering a vicious cycle.

The administrative forms of the curtailment policy adopted by our country are not beneficial to the improvement of the economic structure. In Western countries, when they are controlling overheated economic development, in general they use the targeted implementation of indirect economic control measures. For example, in financial policies, they often use the lever of increasing interest rates to adjust the economic structure and industrial structure. Those enterprises which have backward projection technology and lack competitiveness

and development prospects have no way to bear the burden of large interest payments and their production shrinks, eventually leading them to close down or switch production. Those modern new-style enterprises with advanced technology and development prospects, because in the future their production capacity and competitiveness will be quite strong, have dependable guarantees that they will be able to handle the future interest burden. Thus the raising of interest rates only means that a fairly large burden will be switched to the future and will not, to any great degree, restrict enterprises' current aspirations in terms of credit or expanding production. Thus, the curtailment policies of the various Western countries generally leads to eliminating the outdated, safeguarding the advanced and improving the economic structure. The results of this policy of indirect control are better than those of direct government intervention. Because our nation still does not have an economic mechanism whereby the structure is self-regulated by the market the present curtailment policy basically involves the adoption of "uniform" administrative forms to directly intervene in economic activities. To a certain degree this suppresses the development of modern facilities under construction and advanced production capacity projects. Meanwhile, the existing traditional old enterprises which have low production levels and are technologically backward are protected. The curtailment policy cannot properly realize the goal of improving the economic structure and the industrial structure.

### 3. The Rate of Economic Growth and Economic Benefits

When the question of the economic development situation is being appraised, the question of the relationship between the rate of economic growth and economic benefits often becomes the center of discussion. Many people believe that increasing the economic growth rate will inevitably lead to a decline in economic benefits, that the two have opposite movements and that economic growth must either seek speed or benefits. The two cannot be sought together. However, some other people believe that artificially suppressing the economic growth rate will lead to a decline in economic benefits, and that to improve economic results it is necessary to fully bring into play existing production capacity and to maintain a certain growth rate. What then is the relationship between the economic growth rate and economic benefits?

What we call the economic growth rate refers to the speed of growth of output value and volume. The concept "economic benefit" has a very wide meaning and different people understand it in different ways. Much of the debate over the relationship between speed and benefits is produced by the different understandings of the concept of economic benefits.

First, materials consumption, that is the amount of the means of production such as raw materials, fuel, electricity, seeds, fodder, etc., and the amounts of related expenditures consumed by production departments in the production process is often used to assess economic benefits. The materials consumption rate, that is, the value of material consumption as a proportion of total output value is one of the important indicators at present in our nation for reflecting economic benefits. However, in industries or areas with a fairly high production level the value of the means of production consumed in the production



Using the natural logarithms we can calculate the following results:

$$\log Y \text{ equals } -0.381 \text{ plus } 1.008 \log X \\ (18.14)$$

$$R \text{ squared equals } 0.9648 \quad S.E \text{ equals } 0.347$$

The above result shows that the elasticity value of the profit tax collected with respect to the net industrial output value is 1, and this therefore shows that the profit tax collected grows in accordance with a certain ratio, at the same pace as net industrial output value.

Thus, if we take the profit tax collected as an indicator of economic benefits, since it and net industrial output value grow at the same pace, the two form a direct ratio.

Third, the ratio of the funds used to provide a certain output value or profit tax is another commonly-used indicator for measuring economic benefits. For example, "output value realized per 100 yuan of original value of fixed assets," "profit tax realized per 100 yuan original value of fixed assets," "profit tax realized per 100 yuan of funds," "profits realized per 100 yuan of sales income," "floating funds used per 100 yuan of output value" etc. are all types of this indicator. Of these, the funds profit tax rate is the representative indicator. This is actually a cost-effectiveness analysis which calculates the output value or profit tax realized per unit of funds.

By using Y to represent output value, M to represent funds, and G to represent profit tax, the economic results indicator of output value or profit tax realized per unit of funds has the following functional relationship with the economic growth rate:

$$Y \quad f(Y/M)$$

or

$$Y \quad f(G/M)$$

Clearly, when funds do not change, the faster the speed of economic growth, the better the results reflected by this indicator. (We know from the above that the economic growth rate and profit tax realized have a direct ratio.) However, when there is a partial change in funds the situation is different. If the degree of growth in output value or profit tax is less than the degree of growth in funds, the rate and benefits will form an inverse ratio. If not, there will still be a direct ratio. Also, changes in the actual value of the original assets caused by changes in prices may affect the accuracy of this indicator.

The results of using the data from enterprises in different periods, in different areas, in different sectors and of different operational forums to analyze interrelationship show that there is a complex relationship between the economic benefits indicator of output value or profit tax realized per unit of funds and the economic growth rate. Some have a strong positive relationship while others have a strong negative relationship. However, a great number of results show that there is no clear relationship between the two.



Thus, the relationship between the economic benefits indicator and the economic growth rate is manifested in the investment of a certain amount of funds if a corresponding increase in output value cannot be obtained, then the two have a negative relationship; and if a greater increase in output value can be achieved, then the two have a positive relationship. Under the conditions of existing funds not changing, the higher the output value, and the faster the growth rate, then the better the economic results.

Fourth, labor productivity is another indicator which is often used to show economic benefits. Labor productivity is the output value per worker or the output volume per worker. This indicator of economic benefits is similar to the above three, but the amount of funds is replaced by the number of workers. Thus, the relationship between this and the economic growth rate is also similar to the three mentioned above. It is just that the number of staff members and workers cannot, like funds, be easily increased or decreased, and thus it is in a relatively stable situation. Therefore, the relationship between this economic benefit indicator and the economic growth rate, is more often manifested as a positive relationship.

For example, if we use the data for ownership of enterprises by the whole people for the period 1952 to 1985 we can calculate the following results: (Footnote 3) (The data are taken from "China Industrial and Economic Statistical Data" and "China Statistical" (1986))

G/L equal 5148.7 plus 3.52g  
(14.3)

R squared equal 0.8647 D.W equal 0.387 S.E equal 1114.6

G/L equal labor productivity rate for staff and workers in industrial enterprises owned by the whole people.

Unit equal yuan/person

G equal ownership by the whole people industrial output value index, 1952 equal 100. All calculations based on unchanging prices.

Clearly, there is a very strong positive relationship between the labor productivity in industry owned by the whole people and output value. If we do further calculations to analyze different periods, we arrive at the following results:

log (G/L equal 7.84 plus 0.136 log G (D52-64) plus 0.192 log G (D65-76) plus 0.206 log G (D77-85)  
(2.063) (4.43) (5.36)

R squared equal 0.9045 D.W. equal 0.938 S.E. equal 0.118

D52-64; 1952-1964 equal 1 other years equal 0, D65-76; 1965-1976 equal 1, other years equal 0, D77-85; 1977-1985 equal 1, other years equal 0.

From the above results we can see that for every 1 percent growth in output value, from 1962 to 1964 labor productivity grew at the average 0.136 percent, from 1965 to 1976 labor productivity grew at an average 0.192 percent and

from 1977 to 1985, labor productivity grew at an average 0.206 percent. Following advances in technical levels, labor productivity has also relatively improved. In 1952, the labor productivity of overall staff and workers was 4.184 yuan. By 1980 this had risen to 12.080 yuan and in 1985 it had reached 15.198 yuan.

Fifth, product quality is also often used to measure economic benefits. When an unrealistic excessively high growth rate is sought and quantitative growth is sought blindly without regard for existing production capabilities, it often leads to the overlooking of, or disregard for, qualitative requirements. Also, when production is overheated and demand is too high, there is also a decline in the demand for quality products. An excessively high growth rate in such a situation may lead to a decline in product quality. However, not fully bringing into play existing production capacity, and even artificially suppressing the economic growth rate, not only cannot improve product quality, but can cause costs to rise and economic benefits to decline.

The funds tied up in completed products of enterprises, loss-incurring enterprises, the amount of losses involved and other indicators are also used to measure economic benefits.

In addition, blindly investing in large-scale construction, resulting in a shortage of funds or the suspension of construction, or building projects which do not accord with actual needs, resulting in large waste, many also cause economic benefits to decline greatly. The origin of these activities lies in decision-making mistakes and they are not direct results of the economic growth rate.

Summarizing the above, there are many indicators of economic benefits. Some have a close relationship with the economic growth rate while others have very little relationship with it. Only by analyzing the basis of different economic benefit indicators will it be possible to come to correct conclusions. In brief, the smaller the amount of live labor and materialized labor which has to be invested in order to achieve a certain growth in output value, the higher the economic benefit. When using a fixed production capacity, the greater the number of products produced or the services provided, and the faster the speed of economic growth, the better the economic benefits. The relationship between speed and benefits is a relationship of dialectical unity and the two cannot be set against each other.

However, because this curtailment policy overlooks structural readjustment and simply restrains production in terms of overall volume, it has led to a decline in the economic growth rate. This is one of the major reasons economic benefits have declined.

In conditions where the economic structure and the supply-demand relationship is fairly rational, and the existing production capacity is brought into play to its fullest capacity, then the faster the speed of economic growth, and the better the economic benefits. This also means the shortening of the cycle from demand pressure to supply motivation. In a situation like this which exists

in our nation at present in which the pace of technological progress is quite slow, accelerating production development so that the limited personnel, materials and financial strengths can produce the greatest benefits, and relatively decreasing the proportion of fixed expenditures is an important way for enterprises to improve economic benefits. Following the implementation of this curtailment policy the economic growth rate decreased, a large number of projects under construction were suspended, many machines in factories were left unused and production costs were insufficient. This led to production costs increasing and the labor productivity of workers declining. Thus there was no way to even speak of developing the scale of economic benefits. At the same time, the suppression of consumption demand and investment demand quickly resulted in many products losing their markets, enterprises' stored products increased and the amount of funds tied up in completed products rose. Since the latter half of 1985, following the decline in the economic growth rate economic benefits have also correspondingly deteriorated. This is prominently manifested as enterprises' increased costs, expanding losses and reducing the profit tax realized. In each quarter in 1986, following the gradual revival of the growth rate economic benefits also gradually changed for the better.

Of course, the decline in economic benefits and other problems which have appeared in our national economy have not been completely created by the curtailment policy. Other factors have also been influential. For example, an increase in the price of some raw materials and fuel and other increased prices have directly or indirectly increased enterprises' production costs. Also, the numerous and varied charges and demands levied have increased enterprises' burdens. Some enterprises' depreciation rates have increased and since the wage reforms some bonuses have been included in costs, some enterprises have poor operations management and workers' production enthusiasm has been affected, interflow and sales channels are not free, which has resulted in some products being stockpiled, etc.

#### 4. Economic Growth and Financial Income

The changes in our nation's macroeconomic policies have led to changes in the economic growth rate and these have produced a strong effect on various areas of the national economy. The financial administration is an area which has been greatly affected by the changes in the economic growth rate. A decline in the economic growth rate leads to a decrease in financial income. The reverse leads to an increase in financial income. The direct relationship between the two goes without saying. However, in terms of precisely analyzing quantities, it is possible to quite accurately define how much effect a change in the economic growth rate will have on financial income.

CZ equals 94.7445 plus 0.2673 GM  
(28.88)

R squared equals 0.9608 D.W equals 0.57 S.E equals 82.83

CZ equals total state financial income GW equals national income

Both calculated at that year's prices. Unit equal 100 million yuan.

By determining the coefficient R squared, we can see that the relationship between the two is very close. Over the last 30-plus years, every increase of 100 million yuan in national income has led to an average increase of 26.73 million yuan in financial income.

By applying natural logarithms and analyzing the data from 1950 to 1985 we get the following results:

$$\text{LogCS equals } -1.136 \text{ plus } 0.99885 \text{ log GM} \\ (22.68)$$

$$\text{R squared equals } 0.9380 \quad \text{D.W equals } 0.584 \quad \text{S.e equals } 0.182$$

By further reducing the debt income portion from financial income and carrying out regression analysis, we obtain the following results:

$$\text{Log (CZ-GZ) equals } -1.154 \text{ plus } 0.9982 \text{ log GM} \\ (20.89)$$

$$\text{R squared equals } 0.9277 \quad \text{D.W equals } 0.498 \quad \text{S.E equals } 0.197$$

GZ equals state financial debt income calculated on the basis of that year's prices, unit is 100 million yuan.

From the above two calculation results we can see that in the last 30-plus years the elasticity value of financial income regarding financial income has been about 1. That is, financial income and national income grew at the same pace and the annual average growth rate of the two was basically the same.

However, in different periods the growth rate of the two was not the same. The chart below shows the elasticity value of financial income regarding national income calculated for different periods. During the period 1950 to 1965 this elasticity value was 1.5473. That is, the growth rate of financial income exceeded the growth rate of national income. Centralized state control over economic activities greatly increased. In the period 1966 to 75 the elasticity value dropped a little to 1.3417, but the growth rate of financial income was still higher than that of national income. From 1976 to 1985 the elasticity value dropped sharply to 0.7213. That meant that the growth rate of financial income was lower than the growth rate of national income. Also, from the value of  $t$  and the determined coefficient  $R$  square, we can see that following the passage of time, the relationship between financial income and national income has become increasingly close. Clearly this is a result of the central authorities having handed down power and allowed profits to be made during the process of structural reform. If enterprises' portion of national economic growth increases, the portion the central financial administration receives will decrease.



Chart Elasticity Value of Financial Income With Respect to National Income

Years	a	b	R square	D.W.	S.E
1950-1965	-4.821	1.5473 (13.47)	0.9283	1.12	0.149
1966-1975	-3.699	1.3417 ( 9.07)	0.9113	1.386	0.092
1976-1985	1.089	0.7213 ( 8.63)	0.9030	1.049	0.082

Form of calculation  $\log CZ$  equal  $a$  plus  $b \log GM$   
 Within the parentheses is the verified value of  $t$

The above results show that financial income is greatly influenced by the national economy. A certain economic growth rate is a necessary condition for guaranteeing the growth of financial income and, on the basis of expanding financial expenditures, realizing a balance in financial income and expenditures. Thus, excessively suppressing the economic growth rate may produce a reduction in financial income and result in a financial deficit.

Of course, actively seeking an excessively high growth rate may also lead to a sudden inflation in financial expenditures and lead to a situation where expenditures exceed income and thereby produce a short-term imbalance between financial income and expenditures.

##### 5. Striving to Realize a Good Economic Development Cycle

Above, some important problems in our nation's macroeconomy have been analyzed from different angles. At present the question facing our nation's macroeconomic policymaking is how to gradually free ourselves from the present negative, passive situation where stress is placed on suppressing demand, and strive to realize a development model where stress is placed on increasing supply and a good cycle is achieved in the national economy. If this change is to be smoothly realized the stress on macroeconomic decisionmaking in the future must be placed on putting the economic relationships in order and improving the economic structure.

First, we must strengthen the scientific nature of economic planning. When laying out production development plans we must fully consider the capacity of existing personnel, material and financial resources to bear them, and in accordance with their importance, provide productive-type investment to them group by group at different times. We must place investment benefits in a prime position and stress the strengthening of investment in energy, transportation, communications and telecommunications, raw materials, investment in the renewal and transformation of enterprises' technical equipment and avoid duplicate construction and unnecessary construction. Following the promotion of the economic structural reforms, extra-budgetary funds have rapidly increased. We can adopt uniform planning and management at different levels to correctly

guide the investment direction of these funds. We must consider that investment leads to a temporary increase in total social demand, but must also fully estimate the positive role of investment in increasing total supply and the period required. We must effectively bring into play existing production capacity and guarantee a certain economic growth rate. Our nation is now in a stage where national economic development is guided by industry and seen from the existing production capacity and development trends it is very necessary and completely possible for industrial production to maintain an annual growth rate close to about 10 percent.

Second, we must correctly handle the relationship between consumption and savings and take effective measures to control the growth rate of residents' consumption and social consumption and the inflationary trend of nonproductive investment, considering the consumption pressure which has already been inflated. In the future, the growth rate in consumption should be controlled at a level below the growth rate of the national economy, and the growth rate of nonproductive investment must be lower than the growth rate of productive investment. It is necessary to guarantee the construction of productive projects which are important to the national economy, require little investment and which produce results quickly, and especially those construction projects which will soon be completed and which through increasing supply will assist in achieving a supply-demand balance.

Third, the aim of macroeconomic decisionmaking should not be to restrict total volumes, which leads to a shrinkage in production. Rather, its central task should be the readjustment of the industrial structure and the product structure and through technological progress the promotion of the rapid development of the economy. We must formulate scientific industrial development policies, set down firm plans for the electronics, machinery and construction and other leading industries, give priority to developing electricity, communications, transportation, foodstuffs, and other advanced industries, and speed the development of light industry and textile industries, and the electromechanical, shipping, aviation and other foreign-exchange earning enterprises. In terms of the product structure, through readjusting the investment structure and using the various economic levers such as credit, taxes and prices, we can guide and promote the production of those products which have ready markets and which have development prospects, inhibit the production of those products in excess supply, especially those which are of poor quality and have backward technology, and speed the pace of product renewal.

Fourth, foreign trade is an important component part of macroeconomic decision-making. We must overcome the tendency of simply seeking export quantities and place economic benefits in first place in foreign economic trade relations. We must import the modern technology and equipment that our nation needs as well as the necessary raw materials, and reduce imports of finished products. We must particularly prevent the inflow of large quantities of high-grade consumer products into our nation's markets. We need to improve the export

structure, gradually reduce the primary products exports and through technological progress gradually make efforts to improve the finished products exports with a high degree of processing and large added value. We must strive for economic benefits in earning foreign exchange through exports.

Fifth, we must grasp the establishment and perfection of an effective mechanism with a definite market self-regulatory function which accords with the planned commodity economy. We must also put the various economic relationships in order, form an external environment which benefits the dominance of superior products and eliminates inferior products, and toward technical progress, guarantee the smooth implementation of macroeconomic indirect control policies and reduce excessive administrative interference by management departments in economic activities. Only in this way will it be possible to basically resolve the problems which exist in our economy and realize the development model of a good national economic cycle.

/9738

CSO: 4006/638

## GUANGMING RIBAO VIEWS AIM, ROLE OF BANKRUPTCY LAW

HK120901 Beijing GUANGMING RIBAO in Chinese 29 Apr 87 p 3

[Article by Wang Cunxue (3769 1317 1331): "On the Aim and Role of the 'Bankruptcy Law for Enterprises Under Ownership by the Whole People' (for trial implementation)"]

[Text] The enforcement of the "Bankruptcy Law for Enterprises Under Ownership by the Whole People (for trial implementation) is a matter of great significance in the legislation and economic life in our country. It will play a very important role in present economic construction, and is an inexorable product of the economic structural reform.

The existence of socialist commodity economy is an objective fact. However, over a long period of time in the past, we refused to admit it, or restricted it purposely in theories and in practice. We even tried to abolish it. In the past, we mainly relied on mandatory planning and administrative means to administer our economy. The obligation and responsibility of government organs and enterprises were not separated. The state imposed too much and too rigid a control over enterprises. Actually, enterprises became appendages of administrative organs. With the practice of "eating from the same big pot" prevailing in the relations of the enterprises to the state and in those of the workers and staff members to their enterprises, enterprises did not undertake any risk, let alone go into bankruptcy. With the progress and profound development of the economic structural reform, enterprises should become comparatively independent economic entities, and producers and operators of socialist commodities, which run their business independently, and assume sole responsibility for profits and losses. They should become legal entities which enjoy certain power and undertake certain obligations. Therefore, it is absolutely necessary to formulate and enforce the enterprise bankruptcy law.

The development of commodity economy will inevitably give rise to competition among enterprises. The fact that the best will win and the worst will be eliminated is a law governing competition. Enterprises, which suffer from great losses in business, waste the wealth of the state. This completely runs counter to the aim of developing commodity economy. Retaining such enterprises intact is harmful to the development of commodity economy, and violates objective economic law. Therefore, only by letting such enterprises declare bankruptcy will the smooth development of commodity economy be



ensured. Therefore, the purpose in promulgating and enforcing enterprise bankruptcy law is to satisfy the demand of the planned development of the socialist commodity economy and economic structural reform, promote independent operation of enterprises under ownership by the whole people, strengthen the economic responsibility system, improve business management, enhance economic results, and protect the legitimate rights and interests of creditors. In this connection, the law contains stipulations on the following issues: The conditions governing the bankruptcy of enterprises under ownership by the whole people, the way to enter bankruptcy and acceptance of bankruptcy cases, effectual measures for reducing and preventing enterprise bankruptcy, declaration of bankruptcy, methods and steps to be taken for bankruptcy liquidation, methods for the distribution of bankrupt assets, responsibility assumed by those who violate the bankruptcy law, measures to deal with the problems of workers and staff members of the bankrupt enterprises, and so on.

#### **1. The Legitimate Rights and Interests of Creditors Should be Protected as Fully as Possible**

The enterprise bankruptcy law stipulates: "If enterprises suffer from heavy losses in business because of poor management, and are unable to pay off matured debts, they should declare bankruptcy in accordance with this law." After the bankruptcy is declared, a liquidation group should be set up in accordance with law to take over the bankrupt enterprise, and take care of, clear up, appraise the price of, and sell off all its assets (bankrupt assets). After the work of checking up the bankrupt assets is finished, the liquidation groups will immediately propose a plan for distributing the bankrupt assets. After the plan is approved by a meeting of creditors, it should be submitted to the people's court for examination and ruling. The plan can then be implemented. Bankruptcy fees should be paid first by taking the money from bankrupt assets. After that, the debts of the creditors will be paid off in the sequence previously decided. The assets can also be distributed in proportion. In so doing, we will be able to do our best to protect some of the creditors' rights which they should enjoy, and safeguard their legitimate rights and interests.

#### **2. Efforts Must Be Made to Urge Enterprises to Improve Their Operation and Management, and Enhance Their Social and Economic Results**

The promulgation and enforcement of the enterprise bankruptcy law will change the situation of enterprises caring for neither profits nor losses in business, and truly unify their responsibility, power, and interests. Enterprises are legal entities which enjoy certain rights and undertake certain duties. If they suffer from losses, or are in debt because of poor management, they are unable to issue the bonuses, and pay the wage of their workers. They will eventually be closed and declare their bankruptcy. This brings pressure to bear on enterprises and their workers and staff members because they have to take the risk in business operation. Enterprises will be encouraged to turn such pressure into driving force, to do everything possible to carry out technical innovation, to reduce labor consumption, to save on raw and processed materials, to strictly implement various kinds of job responsibility, and to arouse the enthusiasm, initiative, and creativeness of

the broad masses of workers and staff members so that they are willing to share the same fate and breathe the same air with their enterprises. They are also encouraged to formulate and improve various rules and regulations, to constantly raise the level of their scientific management, and to increase their labor productivity. This will enhance the economic results of the entire society.

### 3. Efforts Must Be Made to Encourage Socialist Competition to Promote the Development of Commodity Economy

The enforcement of the enterprise bankruptcy law is directed against enterprises which suffer from heavy losses in business because of poor management. The fact that these enterprises go bankrupt will play the role of punishing one as a warning to one hundred, and spurring the backward on to make progress. [sentence as received] As for those enterprises which are properly run, this means affirming their achievements and encouraging them in terms of law and system. This legal system has posed a very acute and urgent problem for all enterprises. In other words, like the eight immortals soaring over the ocean, each and every enterprise must show its worth. They should strive to survive and develop themselves amid acute competition. Competition has impelled enterprises to continuously improve their technology, enhance their product quality, reduce production costs and price, and economize on manpower, material and financial resources. They should produce as many high quality products as possible with the least consumption.

### 4. Efforts Must be Made to Urge Enterprises to Turn From Deficits to Profits, and to Avoid Bankruptcy

Our purpose in formulating the enterprise bankruptcy law is not to encourage bankruptcy. On the contrary, our purpose in doing so is to prevent, reduce, and avoid the bankruptcy of enterprises. To attain this purpose, there is a special clause in the law on the measures for conciliation and the readjustment of enterprises. According to stipulation, if the bankruptcy application of an enterprise is submitted by creditors, within three months of accepting and hearing the case, the responsible institution of the enterprise concerned at the high level can file an application for the readjustment of the enterprise. During the period of readjustment, the departments concerned must give appropriate consideration to the enterprise in terms of loans, circulating funds, and tax. Necessary technical support should be given to it, so that it will recover again. Practice has proved that with the great efforts made by enterprises and their workers and staff members, most of the enterprises can turn for the better, make up deficits and increase surpluses, and avoid bankruptcy. For example, a warning was issued to three collective enterprises in Shenyang, which were on the brink of bankruptcy in August 1986. The Metal Casting Plant and the No. 3 Farm Machinery Plant succeeded in turning from deficits to profits and recovering after readjustment in July 1986. But the Explosion-Proof Instrument Plant declared itself bankrupt in August 1986, because the quality of the plant was too poor, and there was no hope of recovery.

**5. Efforts Must Be Made To Protect the Legitimate Rights and Interests of the Workers and Staff Members Whose Enterprises Have Gone Bankrupt**

The enterprise bankruptcy law stipulates: "Through various ways, the state will arrange new jobs for those workers and staff members whose enterprises have gone bankrupt, and guarantee their basic necessities in life until they get new jobs. The specific methods will be stipulated by the State Council." The "Temporary Provisions on Insurance for Workers and Staff Members of Staff-operated Enterprises Awaiting Employment" promulgated by the State Council has stressed that workers and staff members, who are laid off when enterprises on the brink of bankruptcy are being readjusted, are entitled to receive unemployment relief payments so that their livelihood can be guaranteed. Some other stipulations have also been made with regard to the methods of paying out pensions to those who are qualified to retire.

**6. Efforts Must Be Made To Promote the Deepening of Economic Structural Reform**

The enterprise bankruptcy law is an inevitable product of the economic structural reform. It will also promote the profound development of reform. Economic structural reform will involve many aspects. The formulation and enforcement of the enterprise bankruptcy law is an important link in the process of reform, which will promote enterprises to improve their operation and management, to unify their responsibility, power and interests, and to organically integrate the interests of the state, enterprises and workers. A series of reforms should be carried out in conjunction with the enforcement of the enterprise bankruptcy law. For example, we should establish a rational pricing structure, rational labor and employment, wage, tax, and cadre systems, and so on. Only thus will the enterprise bankruptcy law play its fullest role. Thus, the formulation of relevant laws and systems is urgently demanded. In particular, strengthening of the sense of urgency of workers and staff members of the enterprises, and the sense of responsibility of working personnel of the responsible administrative institutions as a result of the enforcement of the enterprise bankruptcy law will generate a tremendous driving force for the acceleration of reforms, and the early start of the implementation of other reforms. This will also expedite the enforcement of other relevant laws.

/12913

CSO: 4006/655

## XI'AN HOSTS NATIONAL FORUM ON MANAGEMENT MODERNIZATION

HK060217 Xian Shaanxi Provincial Service in Mandarin 2330 GMT 5 May 87

[Text] The fifth national forum on the modernization of enterprise management, convened by the State Economic Commission, opened in Xian on 5 May. The main agenda of the forum consists of studying how to strengthen basic work in enterprise management and further promote the modernization of enterprise management, centering around deepening the enterprise reforms, launching the double increase and double economy drive, and upgrading the enterprises.

Vice Governor Zeng Shenda spoke at the meeting on 5 May, introducing the province's current economic situation.

Zhang Yanning, vice minister of the State Economics Commission, spoke at the forum. He pointed out: Last year was a year in which the modernization of enterprise management made relatively rapid progress and relatively notable results were achieved. During the year, enterprise reform and the work of strengthening enterprise management made relatively big breakthroughs. These were mainly illustrated by the following:

1. We started to find various forms of contract responsibility systems for resolving problems of enterprise operational mechanism.
2. In promoting the plant manager responsibility system, we explicitly pointed out that the manager is in full charge and is the legal entity representing the enterprise. He holds the core position and is wholly responsible for the enterprise.
3. We found ways for upgrading the enterprises and improving their quality in an all-round way.
4. We explicitly stated that perfecting the enterprises' internal economic responsibility systems must be integrated with invigorating distribution.

Zhang Yanning stressed in his speech: In the current work of promoting the modernization of enterprise management, it is essential to strengthen basic work in management, closely centered around deepening the reforms and launching the double increase and double economy drive. We must therefore focus on the following tasks:



1. Do a good job in standardization work, with the focus on actively using international standards. All enterprises, especially the large and medium ones, must formulate plans for upgrading product standards and strive to fully apply general international standards in their basic standards by 1990.
2. Get a good grasp of grading work in measurements. By the concluding period of the Seventh 5-Year Plan, the large and medium enterprises should have a full set of measurement checks and inspections, to maintain this work in good order and insure its veracity and accuracy.
3. Expand the scope of norms, raise their levels, and set up a scientific norm system and put it on a sound basis.
4. Establish an accurate and sensitive information system. The focus should be on doing a good job in analyzing and applying information. We should obtain optimum results from information.
5. Put rules and regulations on a sound basis. The key lies in putting the enterprises' internal economic responsibility systems on a sound basis.
6. In current basic education, we should focus on solving two problems: 1) on-the-job training; 2) education in professional ethics. Improving the quality of the enterprise cadres and workers is the key to making a success of all basic work in management.

/12913

CSO: 4006/655

## HEILONGJIANG REPORT ON ECONOMIC DEVELOPMENT

SK100811 Harbin HEILONGJIANG RIBAO in Chinese 18 Mar 87 pp 1, 2, 4

[Report delivered by Heilongjiang Governor Hou Jie at the Fifth Session of the Sixth Heilongjiang Provincial People's Congress on 10 March: "Uphold the Four Cardinal Principles and Carry Forward the Spirit of Waging Arduous Struggle To Fulfill the Tasks of the Province in 1987"]

[Text] Fellow deputies:

Now, on behalf of the provincial People's Government, I will deliver a work report. The 1987 plan (draft) on economic and social development has been printed and presented to you for examination and consideration.

1. The Economic Situation in 1986

By earnestly implementing the line, principles, and policies issued by the party and State Council as well as the four cardinal principles, and by deeply carrying out the drive to conduct reforms in economic systems and unswervingly enforcing the policy of opening to the outside world, the people throughout the province achieved steady, stable, and harmonious development in the economy in 1986. The total product of society was 60.74 billion yuan, an 8.7-percent increase over the 1985 figure. Of this social product, total industrial and agricultural output value was 1.09 billion yuan, a 9.2-percent increase over the 1985 figure. The national income was 32.75 billion yuan, an 8.6-percent increase over the 1985 figure. New achievements in other undertakings were also made.

The province reaped an overall bumper harvest of agriculture. Despite serious natural disasters and more rural economic difficulties in 1985, the people throughout the province realized the target set forth by the provincial party committee and the provincial People's Government with regard to "striving to make provincial People's Government with regard to "striving to make up the losses caused by the disasters in the year" through arduous struggle and thanks to better weather conditions. The total grain, soybean, and tuber output was 35.53 billion jin, a 26.7-percent increase over the 1985 figure, topping the previous peak. The province maintained steady development in forestry, animal husbandry, sideline production, and fishery undertakings. It planted 5.928 million mu of trees, an 18.6-percent increase over the 1985 figure. The output of large animals, hogs, and milk also showed a large-scale increase. The

province expanded its fishery ponds to 4.2 million mu of water surface, a 5-percent increase of the 1985 figure. The aquaculture output was 84,000 tons, topping the previous peak. The total agricultural output value was 11.81 billion yuan, a 13-percent increase over the 1985 figure. Town enterprises maintained a trend of steady development and their total output value reached 6 billion yuan, a 30-percent increase over the 1985 figure.

Normal growth in industrial production was made. Despite price hikes, fund shortages, and poor power supply and thanks to the higher industrial production growth in 1985, in 1986 the province achieved steady growth in industrial production. The total industrial output value was 39.28 billion yuan, an 8-percent increase over the 1985 figure. Of the industrial growth as a whole, the growth of the light industry was higher than that of the heavy industry, and the collectively owned enterprises was higher than that of the state-owned ones. A larger-scale growth in the industries of machine-building, gold, foodstuffs, medicine, and building materials was also made. The strained situation in energy resources was somewhat relieved. The annual power output was 20.22 billion kwh, an 8.1-percent increase over the 1985 figure. The Daqing Oil Field realized a continuously stable and high yield and its output of crude oil was 55.552 tons, a 0.5-percent increase over the 1985 figure. The province's raw coal output was 65.719 million tons, a 5.2-percent increase over the 1985 figure. Its capability in communications and transportation was enhanced; its volume of freight transported showed a 0.7-percent increase over the 1985 figure; and its number of passengers transported showed an 1.4-percent increase over the 1985 figure. The province realized 120 million yuan in the undertakings of post and telecommunications, an 8.2-percent increase over the 1985 figure. The annual plans concerning the output of 36 products covered by the mandatory plan were successfully fulfilled. The urban infrastructure was also fairly improved.

The scope of investment in fixed assets was brought under control. In 1986 the investment of the state-owned units in capital construction was 5.71 billion yuan, a 19.1-percent increase over the 1985 figure. The net investment in this regard showed an 0.8-percent decrease over the 1985 figure by excluding the price hike factor in raw materials and equipment. The investment structure was somewhat readjusted and the proportions of investments in energy resources, communications, raw material industries, productive projects, and in the projects of science and technology, culture, education, and urban construction were higher than that of 1985. Faster progress and better work quality in building the key projects were achieved. The province invested 2.59 billion yuan in 48 key projects and surpassed its average investment plan. The 18 projects assigned by the State Council, which were totally or partially undertaken by the province, were put into production on schedule. The first-phase project of building the 300,000-ton ethylene plant of Daqing City was also put into production. The No 1 generator unit of the Harbin No 3 power plant was put into production with trial operation and 1 year ahead [of] the schedule. The project of building the Songhuajiang highway bridge in Harbin City was also completed 1 year ahead of the schedule. The province invested 2.3 billion yuan in measures for conducting technical renovations and renewal, a 44.2-percent increase over the 1985 figure. All of these have provided reserve strength for the province to develop the economy.

Markets in both urban and rural areas were brisk. In 1986 the province had a sufficient commodity supply, increased more varieties of products, ensured the supply of industrial daily necessities for the people's livelihood, and was better off than before in the supply of nonstaple foodstuffs. The sales of pork, eggs, poultry, tobacco and wine, candy, and aquatic products showed a large-scale increase. In particular, the situation of sufficient supply and varieties of vegetables to the urban areas and their stable prices was unprecedented in the past many years. The total retail sales of social commodities reached 19.76 billion yuan, a 14.5-percent increase over the 1985 figure. Market prices were basically brought under control and the index of price increase was brought under 6 percent. Commodity circulation between the urban and rural areas was further enlivened and promoted the development of commodity production.

New development in foreign economic and trade relations and in lateral economic associations was made. In 1986 the province's purchase of export commodities totaled 4.79 billion yuan, a 21.2-percent increase over the 1985 figure. At the autumn export trade fair in Gangzhou in 1986, the province's business volume reached \$110 million, topping the previous peak. Export markets were further expanded. The province established economic, trade, and friendly relations with more than 100 countries and regions and exported its commodities to 73 countries and regions. Its border trade volume with the Soviet Union reached 25.77 million Swiss francs and that with Poland reached 17.61 Swiss francs. The province utilized \$200 million of foreign capital, a more than 50-percent increase over the 1985 figure. Greater development in establishing lateral economic associations was made. In 1986 localities throughout the province signed more than 7,720 contracts, agreements, and letters of intent, a 2.4-fold increase over the 1985 figure. At the end of 1986, more than 3,300 contracts and agreements were implemented, accounting for 43.4 percent of the total number of them. The province introduced 310 million yuan of outside funds and by the end of 1986, it actually received 200 million yuan. All of these have played an active role in promoting the development of the economy in the province.

Marked achievements in financial and tax revenues and banking were made. Despite the factor of decreasing incomes and increasing expenditures in 1985, the people's governments and various industries and trades at all levels, by proceeding from the task of increasing incomes and curtailing expenditures, achieved better results in extensively opening financial sources, strictly bringing various expenditures under control, and in carrying out inspections over financial and tax revenues in 1986. The and of striving to enliven credits and loans. [sentence as received] The total bank loans reached 36.16 billion yuan, a 25.4-percent increase over the 1985 figure and by the end of 1986, the total deposits reached 17.26 billion yuan, a 28.3-percent increase over the 1985 figure. Development in establishing collectively owned banking organs and in credit activities among the people was made.

New achievements in science and technology, education, culture, physical culture and sports, and public health undertakings were made. In 1986 the province scored 610 results in overcoming scientific and technological difficulties. Of these results, some reached the domestic or international advanced standards, 196 results were commended by the provincial authorities, and 70 were commended



by the national authorities with the prizes of invention and scientific and technological progress. The mass activities of science and technology increasingly flourished and scientific and technological markets were established. The province scored a better effect in emphatically popularizing the 90 scientific and technological results. An increase was made in educational expenditures, school conditions were somewhat improved, and new development in the 9-year compulsory education and adult education was made. Some higher educational institutions achieved new development in teaching activities and in integrating scientific research with production. Continuous development in public health undertakings and new achievements in disease control were made. The province carried out birth control in a down-to-earth manner and the province's population growth rate was brought within 10186 per thousand. New development in the undertakings of journalism, publication, culture, and arts was made. After the complete operation of the five radio and television microwave lines connecting the border cities and counties, the transmission mileage reached some 3,800 km, thus initially changing the backward radio and broadcasting situations in the border areas. Mass cultural, arts, and sports activities were conducted extensively in the urban and rural areas throughout the province, and the cultural and sports facilities improved. During the major domestic and foreign sports competitions, our province's athletes won a total of 99 gold medals, 87 silver medals, and 84 bronze medals, thus contributing to developing the province's sports undertakings.

The incomes of the urban and rural residents increased. Last year the province as a whole provided jobs for 252,000 people. With the development in production and the increase in the number of employed people, the living standards of the people improved. The province's total wages for workers rose by 18.6 percent over the previous year. If the rise in commodity prices was factored in, the actual average annual per-capita wage growth was 9 percent. The average per-capita net income of peasants reached 442 yuan, an increase of 21 percent over the previous year. If the rise in the prices of commodities was factored in, the actual income increase was 15.8 percent. Urban and rural savings deposits rose. The year-end savings deposits totaled 9.38 billion yuan, an increase of 33.8 percent over the figure at the beginning of the year. New progress was made in improving the housing conditions and living environment for the urban and rural people.

All these problems show that our province's economic capacity has been intensified. We have made a gratifying stride in realizing the Seventh 5-Year Plan. Here, let me extend high respects and heartfelt thanks to all workers, peasants, and intellectuals working on various fronts; the broad masses of cadres; the commanders and fighters of the PLA units; the public security, political and legal cadres, and policemen; and various democratic parties, nonparty democratic persons, and all patriotic personages.

Reviewing 1986, we mainly performed the following tasks under the leadership of the provincial party committee:

1. We persisted in attaching prime importance to reform. In line with the plans of the central authorities and the State Council, we conscientiously implemented the principle of "consolidation, assimilation, supplement, and upgrading" and actively facilitated the entire economic structural reform with a

focus on the urban areas. First, we firmly grasped the central point of invigorating enterprises particularly large and medium-sized enterprises and comprehensively promoted the plant director (manager) responsibility system. About 70 percent of budgetary industrial and commercial enterprises and more than 90 percent of large and medium-sized industrial and commercial enterprises throughout the province implemented the plant director (manager) responsibility system. In line with the principle of appropriately separating the ownership from the power of operation of enterprises, we further improved the operational mechanism of enterprises. More than 2,200 small state-owned industrial and commercial enterprises throughout the province implemented the leasing or the contract operational systems or changed themselves into enterprises of collective ownership. We actively tried out various forms of the wage system and further improved the distribution relations of enterprises, so as to boost the enthusiasm of workers. We conducted general inspection on simplifying administration and decentralizing power to lower levels, liquidated and consolidated some administrative companies, and genuinely decentralized power of enterprises. We began to promote the new labor employment system in line with the plan of the State Council and created necessary internal and external conditions for invigorating enterprises. Furthermore, we conducted supplementary work to improve the rural reform, the reform of the circulation sphere, and the educational, scientific, and technological structural reforms. Second, we actively and steadily conducted some new explorations. We set up rolled steel markets in Jixi and Shuangyashan Cities on a trial basis, began to establish short-term money markets among banks with support from cities, developed banking organs of various descriptions, deepened the reform of the banking system, explored new forms of ownership, and tried out the joint-stock system. Third, during the process of the entire reform, we persisted in proceeding from the reality, adopted active and bold but prudent and reliable measures, paid attention to the chain reaction that would emerge after the introduction of each and every reform, clarified the policy limits in a timely manner, adopted relevant supporting measures, tried out utmost efforts to avoid unfavorable influence to the whole situation, and thus succeeded in unceasingly deepening reform and promoting economic development.

2. We actively implemented the policy of opening to the outside world. In doing economic work during the year, we always persisted in grasping the work of opening to the outside world as a major matter. At the beginning of the year, we formulated an overall plan for opening the province domestically and to other localities and adopted relevant policy measures. First, we actively developed lateral economic cooperation and popularized the experience of Zhaozhou County in establishing ties with large cities, large enterprises, large scientific research units, and colleges and universities; the experience of Jiamusi City in displaying the multifunctional role of a central city; and the experience of Xingguang machinery plant in turning itself from an army-oriented plant into a plant for producing goods for civilian use and in leading small plants through lateral economic cooperation. The Heilongjiang invitation meeting for promoting domestic lateral economic cooperation held in last August in particular was large in scale, which yielded fruitful achievements and effectively promoted economic and technological cooperation. The province's lateral economic associations developed from the past situation of only organizing associations within the same trades and localities to a situation in which

associations were organized between different trades and localities and among industry, agriculture, commerce, science and technology, and education spheres, and many enterprise groups and cliques spanning various provinces (municipalities and various economic sectors came to the fore. Second, we positively improved the investment environment and developed Chinese-foreign joint ventures and cooperative enterprises. The provincial government formulated one after another the preferential stipulations for developing inter-provincial economic associations, the regulations on the questions of encouraging exports and earning of foreign investment, thus arousing the initiative of all circles in developing economic and technological cooperation and creating a fine investment environment for foreign traders. The investment orientation of foreign traders changed from the past situation of mainly initiating service-oriented joint venture and cooperative enterprises to the situation of mainly initiating the production- and export-oriented enterprises which exploit the province's superiority in natural resources. Third, we vigorously opened up more international markets. The province dispatched many trade observation teams, scientific and technological study groups, and commodity selling groups to various foreign countries and regions to conduct economic and trade transactions, to study management experiences, and to import advanced technologies. In addition, we invited some foreign specialists and scholars to our province for technological exchanges. Fourth, in line with the principle of integrating official contacts with people-to-people exchange, we further strengthened the foreign affairs with pertinent countries, developed friendly relations with neighboring countries, and made new progress in establishing contacts with foreign countries.

3. We made efforts to raise economic results. In the course of implementing the 1986 plan for economic and social development, we persistently regarded the improvement of economic results as the basic guiding ideology for leading and organizing economic work. First, we strengthened and improved the macroeconomic control and strove to create a relatively relaxed economic environment for increasing economic results. We conscientiously implemented the State Council's "regulations on controlling the scale of investment in fixed assets," actively reviewed the projects under construction, conducted audits of the sources of self-raised funds, strictly controlled the extra-budgetary construction projects, and checked various forms of duplicated projects. The number of capital construction projects undertaken by the state-owned departments declined from the figure of the previous year, and the increase in the investment scale was lower than that of the previous year. At the same time, we strictly controlled the increase in consumption funds. We also guided a part of extra-budgetary funds and consumption funds to key construction projects through the methods of raising funds and defining subsidiary construction items, thus accelerating the construction speed and satisfactorily exploiting the investment results. Second, we united growth rate with efficiency. In addition to continually overcoming the ideas of blindly pursuing high targets and high growth rate, we placed the focus of our work on mobilizing the initiative of enterprises, workers, and staff members; on enterprises. We further readjusted the production structure and product mix and tried to increase the production of blank-name, quality, and readily marketable products. Focusing on improving product quality and curtailing consumption and stressing upgrading enterprises, we strengthened various managerial methods of enterprises, thus effecting improvement in varying degrees in the stabilized and good-quality rates of the industrial products turned out by the budgetary industrial enterprises. Third,



we upheld the guiding ideology of simultaneously grasping production and circulation, convened discussion meetings on industrial and circulation issues, studied and formulated policies and measures for industrial production and circulation sphere, and tried every possible means to expand the sales of industrial products. In the course of mainly depending on the state-owned commercial departments to provide industrial daily necessities for the countryside, we initially established and improved the selling system of industrial enterprises' ability to sell their products by themselves, made efforts to reduce the old stock of finished products, raised the utilization efficiency of funds, and promoted the development of production and the improvement of economic results.

4. We vigorously strengthened the building of the socialist spiritual civilization. While strengthening the building of the socialist material civilization, we vigorously stepped up the building of the socialist spiritual civilization. First, we firmly conducted the education on the cultivation of lofty ideals, moral integrity, cultural accomplishments, and discipline among the people throughout the province; combined this education with the work of reform, opening up, and economic invigoration and with the work of correcting unhealthy practices among trades; and guided cadres and the masses to work hard, make progress, and attend to their professional work. Second, we launched the activities of creating civilized towns and units. By the end of 1986, the province built 52 civilized units commended by the leading organs at or above the country level increased from more than 11,600 in 1985 to more than 17,000 in 1986. Of these units, those at the provincial level accounted for 296, a 50-percent increase over the 1985 figure. Third, the province vigorously carried out the educational and propaganda work of socialist democracy and legal systems. Efforts were made to vigorously popularize legal knowledge and to enhance the people's consciousness of democracy, law and citizenship. To orient various economic activities on a legal track, the provincial People's Government established the legal system bureau and formulated the legislative plan for the implementation period of the Seventh 5-Year Plan. While earnestly implementing the state law, the administrative regulations and rules, and the local regulations and rules issued by the provincial People's Congress Standing Committee, the provincial People's Government also issued some administrative economic regulations. Fourth, efforts were made to continuously enhance the construction of culture and the environment. The provincial People's Government appropriated some funds from the local financial revenues to support the local programs of improving school conditions. Localities throughout the province also established some nurseries, cultural centers, and cultural and welfare facilities and developed a large number of specialized cultural, scientific, and technological households in the rural areas. In dealing with the problems of most concern to the masses, including the difficulties in riding buses and trains, making trips, obtaining a water supply, and going to rest rooms, localities also did a great number of deeds for the masses and improved in varying degrees the people's living conditions. Fifth, efforts were made to deal strict blows to economic crimes, to resolutely check evil social phenomena, to enhance social harmony, to achieve better results in integrating public security, business, and the production operation with the building of the spiritual civilization. The PLA units stationed in the province actively made contributions to safeguarding the border areas, supporting economic construction, training both military and civilian personnel, and joining in the army-civilian campaign of building civilized units.



5. The government work was further improved. To meet the need of the drive to conduct reforms, to enforce the open policy, and to enliven the economy, the government work was further improved. First, efforts were made to strengthen planning procedures and government work estimations and to strive to grasp the work initiative. Governments at all levels enhanced their management over work targets and effectively ensured the fulfillment of various tasks in line with the annual work plan, the monthly major work targets, and the concrete demands set for fulfilling the tasks, and by implementing the responsibility system of having leading comrades and departments share the duties. Second, efforts were made to carry forward the spirit of dealing with concrete matters relating to the work and to vigorously carry out various tasks. In 1986 the provincial People's Government organized 31 departments and bureaus to sign contracts with 32 poor counties on helping them become wealthy. By carrying out deep investigation and study and in line with local material sources and economic and technical conditions, these units gave 60 million yuan to these counties to carry out 139 technical renovations items concerning the products "in short supply, at fixed prices, and of high profits" and scored better results in their renovation activities. According to preliminary statistics, the 32 counties showed a 32-percent average increase in their financial revenues. Of this increase, eight counties showed more than a 50-percent increase. Third, efforts were made to enhance the concept of service and to uphold the principle of doing practical deeds for the grassroots level units. Governments at all levels further fostered the idea in which leadership means service and put their work focus on rendering service to the grassroots level units, to production, and to the masses. Efforts were made to actively help the grassroots level units deal with their difficulties. The province appropriated 95 million yuan of relief funds to support the production and livelihood of the disaster-stricken areas. Fourth, efforts were made to actively accept the supervision conducted by the masses and to tighten ties between the government and the people. Governments at all levels established liaison systems with the People's Congress Standing Committees and deputies at their similar levels and earnestly dealt with the motions raised by the deputies. By the end of September in 1986, 624 motions, criticisms, and suggestions raised by the deputies at the fourth session of the Sixth Provincial People's Congress were completely dealt with. Many cities and counties improved their work of attending to the letters and visits from the masses and of widely soliciting the people's opinions, resulting in the further enhancement of the government officials, consciousness in being public servants.

Fellow deputies, the 1986 situation in politics and the economy was very fine. However, there were difficulties and problems that cannot be ignored, which cropped up on the road of advance. Though the province reaped an agricultural bumper harvest, the poor foundation of materials, the low standards of technology, the weak capability of combating disasters, and the weak foundation of maintaining a steady and stable production increase were still problems. Economic results were not ideal and the number of money-losing enterprises and the volume of losses caused by them increased. Though the strained situation in energy resources, communications, and major raw materials was relieved and the supply in these aspects could meet the need of developing the national economy, the reserve strength of economic development was still weak. What particularly merits our attention is that the excessive scale of investment in fixed assets,

the excessive increase of consumption funds, the excessive expenditures on nonproductive projects, the excessive increase of investment in capital construction projects outside the plan, and the surpassing of financial capability have been caused by the overheated atmosphere in economic construction and life and by the practice of engaging in large-scale construction everywhere, being impatient to make everything flourish, and paying attention only to necessities but not to possibilities. It should be noted that this situation has not yet attracted the attention of some localities. Some localities and departments still try to ask for more investment from the financial departments and for more loans from banks to increase construction projects. The overheated economic atmosphere has become a hidden peril of economic life. If we refuse to overcome it in a timely manner and still charge about muddleheadedly, we will meet with serious problems. The overheated economic atmosphere has dampened some comrades' ideas of plain living and hard struggle and building up the country through thrift and hard work and has promoted the trends of pursuing ostentation and extravagance and indulging in waste. We must clearly understand these situations instead of neglecting them, and should adopt resolute measures to conscientiously solve them.

## 2. On the Major Tasks for 1987

The year 1987 is the second year of the Seventh 5-Year Plan, as well as a year for laying a foundation and gaining momentum for the last 3 years of the Seventh 5-Year Plan. In line with the disposition of the party Central Committee and the State Council, this year we should attend to the following two major events: Politically, we should adhere to the four cardinal principles; oppose bourgeois liberalism; ensure the correct orientation of reform, opening up, and economic invigoration; and consolidate and develop political stability and unity. Economically, we should uphold the principle of developing the economy in a protracted and stable manner, compress the overheated economic atmosphere, vigorously advocate the campaign of increasing production and practicing economy and increasing revenues and cutting expenditures, continue to deepen reform and better rationalize the relationships among major economic sectors in order to bring the provincial economy into the orbit of sound development.

1. We should vigorously launch the campaign of increasing production and practicing economy and increasing revenues and expenditures, and should effect a stable and coordinated development in economic and social undertakings. [as received]

The party Central Committee and the State Council pointed out that this year we should launch a nationwide campaign of increasing production and practicing economy and increasing revenues and expenditures in order to raise economic results in a comprehensive manner and build the national economy on the basis of a protracted and stable development. This is by no means an expedient measure for solving the current economic problems, but is a strategic measure of important political and economic significance. The campaign of increasing production and practicing economy and increasing revenues and cutting expenditures will not only compress the overheated economic atmosphere; gear the development of production, construction, and various other undertakings to the national capacity; and create a stable economic environment for reform but will also greatly promote the work of restoring and carrying forward the party's fine

tradition and improving the party style and social atmosphere. All localities should profoundly comprehend the great significance of this basic principle, further straighten out the guiding ideology for economic work, persist in and carry forward the spirit of plain living and hard struggle and building up the country through thrift and hard work, actually correct the phenomena of blindly pursuing high consumption and indulging in waste and extravagance, follow the principle of acting according to one's capability, and strive to effect a stable and coordinated development in provincial economic and social undertakings.

In launching the campaign of increasing production and practicing economy and increasing revenues and cutting expenditures, we should pay attention to the key points. In increasing production and revenues, we should concentrate on vigorously readjusting the production structure and product mix, improving product quality, increasing production of the readily marketable products, and ensuring an increase in revenues. In practicing economy and cutting expenditures, we should concentrate on curtailing material consumption, quickening the turnover of funds, and cutting various expenditures. All professions and trades as well as all departments should define their emphasis of increasing production and practicing economy and increasing revenues and cutting expenditures, and formulate and implement their plans in line with their respective situations in an effort to launch this campaign in a down-to-earth manner with good results.

In line with the state disposition and demands, and in light of the province's actual condition, we have defined the major targets for the 1987 provincial economic development as follows: The total social product should increase by 5.6 percent to 6.4 percent over the previous year; the total industrial output value should increase by 5.2 percent to 6.1 percent and the total industrial output value should increase by 5.2 percent to 6.1 percent, of which, the total industrial output value by 4 to 5 percent and the total industrial output value by 5.5 to 6.5 percent; and the GNP should increase by 5.8 percent. New progress should also be made in various other undertakings. Therefore, we should attend to the following eight items of work:

First, we should continue to grasp grain production and further develop the rural commodity economy.

We should conscientiously implement the guidelines of the 1987 No 5 document of the party Central Committee, comprehensively implement the various economic policies for the rural areas, further mobilize the initiative of the vast number of peasants, and promote a comprehensive development of the rural economy.

Firmly grasping grain production is a major matter which has a vital bearing on political stability and steady economic development. Under the situation in which we reaped a bumper grain harvest last year, we should never for a moment slacken our efforts in grain production. Instead, we should grasp it firmly. We should continue to protect the enthusiasm of peasants in development grain production, try by all possible means to raise the per unit area yield of grain, and maintain a stable increase in the total grain output. We should continue to grasp the construction of grain bases and soybean export bases, stabilize the



internal structure of the crop industry, properly handle the proportion relations of grain crops and cash crops, and ensure a rational crop distribution. We should persist in scientific farming, actively popularize measures to comprehensively increase production, conduct scientific and technological research projects, increase material input, use fine seed strains, improve soil fertility by applying more fertilizer, and raise the land efficiency. We should fully display the role of large and medium-sized farm machines and equipment, strengthen management over farmland capital construction and the existing farmland projects, speed up the transformation of medium- and low-yield fields, intensify the antidisaster capacity, lead the peasants in correctly handling the relations between production and consumption, increase the proportion of the peasants' own funds in agricultural investment, organize all trades and professions to actively support agriculture, firmly foster the ideology of combating disasters throughout the year in an effort to reap a bumper harvest, grasp all production links well, and strive to reap a bumper agricultural harvest this year.

While grasping grain production, we should also grasp forestry, animal husbandry, sideline production, fisheries, diversified undertakings, and township enterprises. In forestry production, we should build, cultivate and protect forests, strive to raise the survival and reservation rates, exert efforts to develop forest resources, persist in scientifically developing forestry and a comprehensive operation, strive to develop forestry in a solid manner, and integrate the ecological, economic, and social benefits. In animal husbandry, we should actively develop plant-eating animals with a focus on milk cows on the basis of grasping the production of hogs and poultry and raise the production rate as well as the commodity rate of animal by-products. We should continue to speed up the development of township enterprises. This year, under the plan, the province's total output value of township enterprises should be 8 billion yuan, an increase of 33 percent over the previous year. We should conscientiously implement the principle of actively supporting, rationally planning, correctly guiding, and strengthening management over township enterprises and the 30 specific stipulations on relaxing policies which the provincial party committee and government have recently issued to a lower level; implement the development plan in accordance with local conditions; persist in the correct development direction, proceed from the superiority of natural resources; grasp key industries with specific local features and favorable technological conditions; strive to increase the production of marketable products and products that can create foreign exchange; readjust the direction of granting agricultural loans in a planned and step-by-step manner; and gradually increase the proportion of loans for township enterprises, so as to speed up their development.

We should make continued efforts to grasp construction and development in the poverty-stricken areas; outlying, remote, and mountainous areas; and minority areas. These areas should start with developing production in an effort to change their outlook. They should continuously intensify their ability to "create blood." Governments at all levels, all trades and professions, and all social quarters should actively help them solve practical difficulties and help them conduct some projects that require a short time but yield quick results. Meanwhile, we should exert efforts to help impoverished households and enable them to change the poverty situation within a short time.



Second, we should organize industrial production with a focus on raising economic results.

Poor economic results are the prominent problems in the province's industrial production. The key problems of low economic results are caused by the fact that there are too many products that cannot find a ready market; the quality of the products is poor; the cost is too high; the competitiveness of products is too low; and there are too many stockpiled goods. In this year's industrial production, we should focus our work on raising economy results and put our main efforts on increase profits, reducing deficits, improving quality, and increasing product varieties in the course of conducting the campaign on increasing production and practicing economy. The industrial and communications departments throughout the province should implement the economic targets of reducing enterprise material consumption by 2 percent, curtailing all administrative funds by 10 percent, and ending deficits by 30 percent in the grassroots levels.

In raising the economic results of industrial enterprises, we should attach first importance to solving the problem of understanding among all economic departments and enterprise leaders. We should overcome the ideology of one-sidedly stressing the low profit retention level of enterprises; demanding tax reductions and more profits and pursuing output value, output, and rate at the expense of economic results; and stressing merely production at the expense of circulation and should genuinely shift our attention to improving the operational mechanism of enterprises.

Judging from the links in production and business, a good job should be done in grasping the following tasks:

1. Efforts should be made to further readjust the structure of products and industry. We should enhance the study and development of markets; by regarding market development as a guiding direction and in line with policy, we should control products in excessive supply and encourage enterprises to turn out products in short supply and increase popular and fine-quality products enjoying brisk sales; and we should accelerate the replacement and renewal of products so that the product structure will meet the structure of social demands. In line with the provincial economic strategic plan and the situation in both domestic and international markets, efforts should be made to gradually readjust the industrial structure and to actively develop the industries of raw materials, petrochemicals, textile, agriculture-oriented production, and foodstuffs. Emphasis should be placed on developing the production of major raw materials, such as steel products, cement, and caustic soda, on conducting intensive and precise processing and comprehensive utilization in the production of petroleum, coal, flax, wool, and timber; and on carrying out production in depth and breadth.

2. Efforts should be made to actively push forward the program on technical renovations. By integrating the readjustment of the industrial product structure, we should select products and industries which truly have strong points, assign the key enterprises to take up the task of key technical renovations, and realistically place the focus of technical renovations on developing economic reserve strength and increasing the output of products which enjoy brisk sales and can earn foreign exchange. Efforts should be made to vigorously popularize the new technology on saving energy and recent technology and to apply the new and advanced technology to improve the traditional industries and develop a number of [word indistinct] products with a strong competitive capability.

3. Efforts should be made to improve the management of enterprises. The backward situation in management is an important reason why our province's product quality and economic results have been low and our consumption high, and also constitutes tremendous potential for increasing the economic results of enterprises. Efforts should be made to earnestly implement the State Council's "decision" concerning several questions of enhancing the management of industrial enterprises, and by carrying out the activities of upgrading product quality and the standards of enterprises and of lowering material consumption, to really upgrade the province's management over enterprises. In carrying out these activities, we should give priority to enhancing quality control in an overall way and establishing or improving the system on quality guarantee, and should apply this quality-control system to bring along the managerial work in various fields. A good job should be done in conducting the work of applying the international or foreign advanced standards and reinforcing or improving the measures for metrological testing. Great attention should be paid to carrying out production safety and preventing fatal accidents.

Third, continuous efforts should be made to bring the scope of investment in fixed assets under control and to vigorously upgrade the benefits of investments.

The task of bringing the scope of investment in fixed assets under control represents the basic premise of compressing the overheated atmosphere in economic construction and promoting the stable and harmonious development of the economy. In 1987 the province's investment in fixed assets is 5.75 billion yuan. Therefore, localities, departments, and various industries and trades should earnestly implement the State Council's "provisions" on controlling the scope of investment in fixed assets, bear the situation as a whole in mind, do things in line with the target set forth by the state, and refrain from surpassing the target.

In carrying out investment, efforts should be made to resolutely enforce the principle of "three ensures and three curtails"—ensuring the construction of projects covered by the plan and curtailing the projects outside the plan, ensuring the construction of productive projects and curtailing the nonproductive projects, and ensuring the construction of the state key projects and curtailing the construction of general industrial projects. In enforcing this principle, we should focus on ensuring the construction of projects covered by the plan and curtailing the projects outside the plan and consciously examine the projects under construction. Projects outside the plan should be suspended and those of general industrial processing and of products in excessive supply should be curtailed on a large scale. Projects whose funds and raw materials have not been raised and whose technology is on the backward side should be suspended or put off. We should first accelerate the pace of building the associate projects of the key construction items if they lag behind in this regard.

Efforts should be made to continuously enhance the building of weak links cropping up in the national economy. The building of the industries of energy resources, communications, and raw materials will continue to be the emphasis in 1987. We should regard power production as a center in energy resources development and accelerate the pace of building the power transmission and transformation equipment between the Xinhua and Changshan power plants and of

building the No 3 power plant in Harbin, the No 2 power plant in Fuyu County, and the Shuangyashan power plant. Meanwhile, a good job should be done in carrying out maintenance among the existing power stations and equipment and upholding the principle of using power in a planned and thrifty way. Efforts should be made to accelerate pace of building railways, to further readjust the transportation structure, and to bring into full play the role of various transport forces. We should also accelerate the pace of building the supplementary railway between Binzhou and Suihua and the railway between Heihe and Nenjiang. In carrying out highway construction, a good job should be done in building the key projects and local highways and ensuring the construction of the highway between Harbin and Acheng and the Songhuajiang bridge in Jiamusi City. A good job should also be done in conducting coordinative transport operations among railways, highways, and waterways and giving them reasonable shares in transport tasks. Efforts should be made to continuously build the second-phase project of the 300,000-ton ethylene plant and the associate projects of the plant and to ensure the fulfillment of the construction plan on schedule.

We should strive to raise investment returns. As for the ongoing and new projects, we should strengthen command and management, shorten the construction period, ensure the quality of the project, reduce construction cost, and fully display the returns on investment.

Fourth, we should further invigorate the circulation channels and make the urban and rural markets brisk.

It is necessary to persist in grasping production and circulation simultaneously, further clear the circulation channels, keep the urban and rural markets brisk, better satisfy the needs of production and the people's livelihood, and promote development in commodity production.

Proper arrangements should be made for the production and supply of grain, hogs, and vegetables that are closely related to the livelihood of the people. Further efforts should be made to improve the grain contract purchasing system and cancel the task of entrusting the people to purchase grain on behalf of the state. The grain contract purchase tasks should be implemented among the households in line with targets set by the province, and all preferential measures for promoting grain production should be adopted. We should continue to implement the policy on encouraging peasants to raise hogs and do a good job in hog production and contract purchases. In some large and medium-sized cities, we should designate a certain number of counties to mainly raise hogs and to allocate and transfer hogs on a contract basis. The contract system should be instituted between the producing and marketing areas so as to establish a stable relation between supply and marketing. As for those counties whose hog production and marketing are even, we should gradually give them a free hand in operation and form a direct link between the producers and consumers. We should sum up last year's vegetable production and supply experiences; maintain a good situation in vegetable production and supply; stabilize the vegetable farming areas, the contract purchase policy, and the relations between the producers and the marketing units; and strive to attain the goal that vegetables are in ample supply, the varieties are diversified, prices are reasonable, marketing is



convenient, and the masses are satisfied with it. State-owned commercial units as well as supply and marketing cooperatives should fully display the leading role of circulation in the urban and rural areas, strive to raise the service quality, better support production, and satisfy the needs of the people in the urban and rural areas.

Further efforts should be made to clear the marketing channels for manufactured goods. At present, the problem of stockpiled finished products is quite serious in some enterprises and strenuous efforts should be made to solve it. We should further develop interregional, interdepartmental, and intertrade cooperation between the industrial and commercial units, between the agricultural and industrial units, and between the agricultural and commercial units so as to establish a new form of commerce. Efforts should be made to try by all possible means to promote the sales of stockpiled goods. We should organize production in line with market demands and prevent the reoccurrence of stockpiling goods. The state-owned commercial units and the supply and marketing cooperatives should conduct diversified and multichanneled marketing activities of various forms, support industrial enterprises to sell their products through their own efforts, continue to promote the contract sales system, and encourage the grassroots wholesale and retail shops to directly order goods from factories. We should organize manufactured goods to the countryside and give priority to supplying to the countryside those goods that are needed both in the urban and rural areas.

We should further develop trade fairs in the urban and rural areas, strengthen market construction, improve market conditions, and strive to form a market network with large, medium-sized, and small marketing units of various categories at various levels. The industrial, commercial, pricing, and standardization departments should strengthen guidance and supervision; safeguard the legal business activities of the private industrial and commercial traders; conscientiously investigate and handle all illegal acts that harm the interests of the state and consumers; strictly punish in line with the law those illegal peddlars who evade taxes, force prices up, cheat, and dominate the markets; and ensure that social economic activities will proceed along a sound path.

We should further develop the markets of means of production, actively expand market regulation, improve the materials trading centers and the means of production trading units with support from cities, reduce the number of links in distribution and supply, and speed up the circulation of materials.

Fifth, we should intensify our ability to earn foreign exchange through exports and strenuously develop foreign trade.

In line with the demands of the Seventh 5-Year Plan, this year the province as a whole will create a foreign exchange earning of \$600 million through exports. We should focus our work on intensifying our ability to earn foreign exchange, fully display the province's economic and natural resources superiority, grasp the construction of bases for export products, promote production, actively expand the sources of products for export, and realize the foreign exchange target.



We should conscientiously implement the policy measures of the State Council and the relevant provincial departments to encourage exports to earn foreign exchange, fully mobilize the enthusiasm of enterprises in this regard, and realistically organize the production of export goods in line with international market needs. We should grasp the construction of an export goods production system with provincial features which takes the production bases and special plants (workshops) that produce the 10 major categories of export products as a foundation. We should also actively open up international trade and technology markets, increase the number of agencies in foreign countries, expand the sales of products, organize technology exports, make progress in Soviet border trade and barter trade in Eastern European countries, actively contract foreign projects and export labor services, and strive to increase nontrade foreign exchange earnings. We should strengthen the work of handling affairs concerning nationals living abroad in an effort to absorb increasingly more income from overseas remittances. We should strengthen the management of foreign exchange; control the import of complete sets of equipment, machinery, and electronic instruments; and reduce expenses in foreign exchange in order to spend the limited foreign exchange on expanding products that can create foreign exchange through exports.

We should conscientiously strengthen the management of sources of export goods. Enterprises should evenly distribute their export products according to the unified plan lest the situation of competing with each other for purchasing export products by forcing up the prices should emerge. The products of export bases and specialized plants (workshops) should be purchased and exported by foreign trade departments. Commodity inspection departments should conscientiously strengthen the inspection of import and export commodities in an effort to ensure the quality of export commodities and to strengthen the capacity of earning foreign exchange.

Sixth, we should strengthen financial, taxation, and banking work.

Persistently and in accordance with the principle of keeping expenditures within income limits and with the focus on increasing income and reducing expenditures, we should enthusiastically and steadily work out a revenue plan by figuring everything in and should work out a tight, solid expenditure plan through greatly controlling expenses. In order to realize the balance between revenue and expenditure, we should focus on grasping the following five tasks: First, we should do a good job in organizing revenue. We should take such means as increasing production, practicing economy, broadening sources of income and reducing expenditures, tapping potentials, plugging loopholes, and upgrading economic results in order to fulfill this year's revenue plan. Second, we should make decisions on controlling excessively high expenses. In order to lay a solid foundation for expenditures, first of all we should ensure that the people have adequate food. Then in line with our financial capacity, we should concentrate financial resources on strengthening agricultural reserve forces, vitalizing large and medium-sized enterprises, ensuring the construction of state key and planned projects, and supporting the funds for culture, education, public health, and scientific research. We should resolutely control expenditures in unplanned and nonproductive projects, in nonproductive undertakings, and in such activities as wining and dining, sending gifts, using public funds to make tours, and holding unnecessary celebrations. In particular, we should control administrative

expenses, reduce operating expenses, and strictly control institutional purchasing power. Third, we should further enhance tax collection and management work, handle affairs in strict accordance with the state regulations on revenue and taxation collection, and pay taxes resolutely according to the law. No departments or individuals are allowed to act for themselves or go their own way. Fourth, we should make efforts to vitalize the county-level financial departments. We should continue to collect funds from various fronts to help the 32 impoverished counties develop a group of reliable projects in order to ensure that their financial resources are self-sufficient. Fifth, we should unswervingly grasp the work of turning deficits into profits. The large and medium-sized industrial and commercial enterprises that earn large amounts of profits should comprehensively carry out the profit and tax responsibility system. Simultaneously, money-losing enterprises should carry out various forms of contract and profit-sharing methods. Grain enterprises should carry out the methods of total responsibility for local finance and of providing subsidies for enterprises out of policy considerations. Forest industry enterprises should carry out the method of handing over fixed amounts of taxes to the higher levels. Enterprises under state farms should continue to carry out the financial contract method. Financial and taxation policies should be carried out to support and encourage the enterprises that carry out, on a trial basis, contract, leasing, ownership transfer, and stock-sharing systems and that develop lateral cooperation.

Banking departments at all levels should bring into full play their functions in collecting and circulating funds. The investment structure should further be readjusted, and the orientation for capital circulation should be readjusted. Credit should be arranged in the order of production first and capital construction second. Loans must be arranged in the order of floating funds first and fixed assets second. Social capital must be spent on urgently needed things under guidance.

Auditing departments should further bring their roles into play, strengthen economic supervision, and promote the development of the campaign of increasing production, practicing economy, increasing revenue, and reducing expenses.

Seventh, we should accelerate scientific and technological progress to enhance the reserve forces for economic development.

Ceaselessly in line with the principle that "we must rely on science and technology to conduct economic construction, and scientific and technological work must serve economic construction," and persistently in accordance with the principle of linking development and study with popularization, we should strive to increase the proportion of the factors for scientific and technological progress in economic growth in order to facilitate the province's economic development based on scientific and technological progress.

Speaking from both the current and long-term points of view, we know that our province should rely on scientific and technological progress to solve the problems cropping up in the course of economic construction. Thus, we must organize forces in strict accordance with the priorities in economic development to tackle scientific and technological problems and to develop new applied

technologies. In agriculture, priorities must be given to comprehensively developing commodity grain bases, soybean export bases, and the Sanjiang Plain. In industry, priorities must be given to developing energy resources, transport, the raw material industry, and intensive processing of products with advantages to develop natural resources. With a rich material and technological foundation, the war industrial enterprises in our province should tap potentials, make the most of their advantages, and try by every possible means to transfer war industrial technologies to civilian use in order to build themselves into key forces to promote our province's economic development.

Vigorously developing and popularizing the scientific and technological results that can exert good benefits rapidly represents an important way to rapidly turn science and technology into productive forces. Efforts should be made to bring into play the role of the scientific research units and the higher educational institutions throughout the province in closely integrating science and technology with production, accelerating the pace of technical transfer and dissemination, and in actively helping the enterprises, including town enterprises, accelerate their pace of making technical progress. A good job should be done in organizing the enforcement of the "spark plan," enhancing comprehensive guidance and coordinative measures, opening more technical avenues, implementing the plans for funds and material supplies and for personnel training, and in accelerating the pace of upgrading the production and technical standards in society as a whole.

To enable the province's scientific and technological work to further meet the needs of the situation and tasks, a good job should be continuously done in integrating technical research with technical imports, accelerating the pace of assimilating and mastering the imported technologies, and making something new from them. Efforts should be made to expand scientific and technological exchanges with foreign countries, to carry out technical exports, to continuously enhance research into applications and foundations, and to successfully provide reserve strength for long-term development.

Eighth, on the basis of developing production, continuous efforts should be made to gradually deal with the practical problems concerning the people's livelihood.

Over the past few years we have made all-out efforts to increase the incomes of the urban and rural people and to improve their livelihood. However, there are still some difficulties and problems concerning the people's livelihood in both the urban and rural areas because of past outstanding accounts. What we have to explain before the deputies and to urge them to explain before the people is that our current financial capability is still strained and that the tasks of improving the people's livelihood and dealing with practical problems should be only based on the work of developing production and increasing economic results. We must carry forward the revolutionary spirit of waging arduous struggle, build up our country through hard work, carry out all undertakings industriously, and must build our colorful livelihood with our hands and wisdom.

Along with economic development, the people's livelihood will be continuously improved. In 1987 the per-capita average wages of staff members and workers



will show around a 2-percent increase over the 1986 figure, per-peasant income will show around a 5-percent increase, and the practical consumption standards of both urban and rural people will show around a 4-percent increase. Efforts should be made to gradually deal with the problems concerning the two-shift teaching system of urban middle and elementary schools, the urban and rural people's difficulty in seeing doctors, the county and town people's difficulties in water supply, the difficulty of towns and villages in improving water, and the difficulty of a number of towns and villages in power supply, postal service, and highway transportation.

2. Efforts should be made to unswervingly enforce the principle of conducting reforms and carrying out the open policy to further enliven the province's economy.

The party's line set at the 3d Plenary Session of the 11th CPC Central Committee is to build socialism reflecting Chinese characteristics in line with the reality of China. The basic points of this line are as follows: One is to uphold the four cardinal principles, and the other is to uphold the principle of conducting reforms, enforcing the open policy, and enlivening the economy. Both of them are unified and indispensable. Only by upholding the four cardinal principles can we ensure the socialist direction in the drive to conduct reforms and to enforce the open policy and in economic construction; and only by upholding the principle of conducting reforms, enforcing the open policy, and of enlivening the economy can we enable our socialism to become stronger and the people to become more wealthy. The people of various nationalities throughout the province should totally and correctly understand and implement the spirit of the 3d Plenary Session of the 11th CPC Central Committee; unswervingly enforce the principle of conducting reforms, carrying out the open policy, and of enlivening the economy; steadily deepen the drive to conduct reforms; and should realistically enhance the enforcement of the open policy.

Efforts should be made to further deepen the drive to conduct reforms in economic systems. Focus should be placed on further enlivening the enterprises, particularly large and middle sized enterprises. Meanwhile, all-out efforts should be made to develop lateral economic associations, to consolidate or improve the existing reform measures, to actively do a good job in carrying out coordinative work for the drive to conduct reforms, and to actively engage in some new experiments and explorations.

Enlivening the enterprises represents the central link of the work of enlivening the economy. The emphasis of enlivening the enterprises should be placed on tapping the inner potencies of enterprises. Efforts should be made to conduct reforms in the managerial mechanism of enterprises, according to the principle of separating managerial rights from ownership. to adopt ways and means to deal well with the relationship among duties, rights, and interests; and to truly delegate power to the managerial personnel of enterprises. Small state-owned enterprises, enterprises which have earned petty profits or suffered losses, and collectively-owned enterprises may enforce the contract and rental systems in their business and operations. Some ordinary large and medium-sized state-owned enterprises may conduct pilot projects and gradually adopt diversified forms of operation. We should reform the leadership system of enterprises and comprehensively implement the plant director (manager) responsibility system. It is necessary to conscientiously implement the "three regulations" for



state-owned industrial enterprises, improve the relations among plant directors of enterprises, party organizations and workers congresses, establish the status of plant directors in enterprises, and fully display the role of enterprise party organizations and workers congresses. We should further reform the distribution system among enterprises, combine workers' actual contribution with their material benefits, and fully mobilize the enthusiasm of workers and staffers. At the same time, we should continue to simplify administration and decentralize power, liquidate administrative companies, strictly forbid collecting additional charges or imposing fines on enterprises, attend to reform of the labor system, establish and develop labor service markets in the urban and rural areas, speed up the pace of making overall arrangements for workers' pension, and create relaxed external conditions for invigorating enterprises.

We should actively develop lateral economic cooperation. In doing so we should deeply implement the State Council's regulations on strengthening lateral economic cooperation, consolidate and improve the established cooperation, actively develop cooperation among enterprises that produce brand-name, quality, new, and special products, attend to cooperation between war industry enterprises and enterprises producing civilian products, continue to develop interregional and interdepartment cooperation and cooperation among scientific research units, colleges and enterprises, and actively create conditions for developing enterprise groups and associations with large enterprises as the mainstay. Further efforts should be made to sum up experiences and realistically solve problems in the course of cooperation. While developing cooperation, we should adhere to the principle of equality, voluntary participation, and mutual benefits and better coordinate the distribution relations in various sectors. Governments at all levels and all departments should give them support in terms of planning, finance, banking, and material supply in an effort to facilitate the unceasing development of lateral economic cooperation.

We should strive to make new explorations in an effort to deepen reform, take active but prudent steps to establish rolled steel markets, continue to explore new forms of commerce, actively develop short-term and long-term money markets and establish all kinds of banking organs in the urban and rural areas, such as the credit cooperatives, to open savings deposits business for industrial and commercial enterprises.

We should attend to rural reform and do a good job in enriching, consolidating, supporting and improving the reform work. We should continue to reform the agricultural and sideline products unified and assigned purchasing system, improve the contract system, establish a perfect market system for agricultural products, and gradually open up money, technology and labor markets in the rural areas. We should improve the unified and decentralized operational systems, stabilize the family-based output related contract responsibility system, and reform the method of setting small farms under large farms. Long-term and stable policies should be implemented among private specialized households and private businessmen. We should allow the existence of private enterprises, strengthen management over them, help them make profits and eliminate defects, guide them and protect their legitimate operation and legal rights and benefits. On the premise of ensuring grain production, we should further readjust the rural production set-up, pay attention to scale and efficiency, promote the shifting of agricultural labor productive forces, and facilitate the unceasing development in the rural commodity economy.

While deepening the economic structural reform, we should continue to reform the scientific, technological and educational systems, conscientiously implement the State Council's "regulations on further promoting scientific and technological structural reform," relax control over scientific research organs, and adopt flexible policies in managing scientific and technical personnel. We should implement the system of separating administrative functions from research, simplify administration and decentralize power, and promote multilayered scientific research and production cooperation of various forms. We should organize, support, and encourage scientific and technical personnel to contract or lease small state-owned enterprises for operation in cities, towns and the countryside. They may contract or take charge of township enterprises, or set up technological development projects. They should be allowed to gain legitimate incomes while helping society to create wealth. We should allow those scientific and technical personnel who induce the people to become better-off to become rich first. We should take active and prudent steps to reform the technical title system of specialized technical personnel, continue to reform the educational system, grasp elementary education, further readjust the secondary educational structure, develop vocational and technical education, readjust the proportional relations of specialities in universities, speed up the training of personnel, and make them adapt themselves to the needs of the province's economic and social development.

Price reform should be advanced steadily and the market prices should be basically stabilized. The retail price index should be controlled within the scope of last year. This year we will appropriately readjust in a planned and step-by-step manner the prices of a small number of products whose prices are prominently unreasonable and seriously affect production. We should actively strengthen price control and supervision, conduct extensive market surveys, strictly enforce price discipline, and resolutely check the unhealthy trend of arbitrarily raising prices.

Since the open policy is a basic policy of long-term significance, we should unshakably persist in it. The province should make the most of its advantages, open its doors wide, and open various channels to deep contracts with the outside world. With regard to opening to the outside world, priority must be given to absorbing foreign capital, bringing in new technologies, and developing new products. Efforts must be made to ceaselessly improve the province's investment environment. The provincial government revised measures for encouraging foreign businessmen to make investment in the province not long ago. From now on we should continue to supplement and perfect, in line with state policies and regulations to enhance our attraction power. In order to promote a deepening and widening development of the province's work of opening to the outside world, the province held a forum to absorb foreign investment during the ice and snow festival period and scored good results in it. The province plans to hold a trade fair and a seminar on economic and technological cooperation in the latter half of this year. Simultaneously, we should further strengthen foreign affairs and tourist work in order to promote the development of the work of opening the country to the outside world.

3. We should adhere to the four cardinal principles and strengthen socialist spiritual civilization.

First, we should adhere to the four cardinal principles and oppose bourgeois liberalism. It is a great matter concerning the future and destiny of the party and state. In line with the arrangements of the central authorities and the provincial party committee, governments at all levels should conscientiously organize the vast number of staff members and workers to study the guidelines of the relevant documents of the central authorities in order to deeply understand the great significance of the struggle. The prominent figures who advocated bourgeois liberalism visited our province on many occasions. During their stay in our province, they publicized a large number of works and expressed views to uglify the party and socialism, to negate the four cardinal principles, and to advocate bourgeois liberalism. Thus, some localities and units were confused by them. We must expose and criticize their views in order to eliminate the influence. We must first adhere to the four cardinal principles, and second, persist in the principle of conducting reform, opening the country to the outside world, and enlivening the domestic economy. These two principles are unified and neither can be dispensed with. Only when we adhere to the four cardinal principles can the socialist orientation of reform, opening up, and economic construction be ensured. Only when we persist in the principle of reform, opening up, and economic invigoration can socialism become increasingly stronger and can the people become increasingly richer and happier. The people of all nationalities throughout the province should comprehensively understand and implement the guidelines of the 3d Plenary Session of the 11th Party Central Committee; unswervingly implement various policies and the principle of reform, opening up, and economic invigoration; continue deepening reform; and make solid strides in opening the country to the outside world.

We should further deepen economic restructuring. The key to deepening economic restructuring is to further enliven the enterprises, particularly large and medium-sized enterprises. Simultaneously, we should vigorously develop lateral economic cooperation, consolidate and perfect the measures for reform which have been worked out, enthusiastically achieve coordinated reform work, and enthusiastically make new experiment and explorations.

Enlivening enterprises is the key link in economic invigoration. With regard to vitalizing enterprises, emphasis must be placed on tapping enterprises' inherent potentials. Efforts should be made to reform the enterprises' management mechanisms. In accordance with the principle of separating ownership from management, enterprises should adopt various forms of management to coordinate duty with rights and interests. Small state enterprises, enterprises with rights and interests. Small state enterprises, enterprises with small amounts of profits, money-losing enterprises, and collective enterprises are allowed to enthusiastically carry out leasing and contract management systems. General state large and medium-sized enterprises are allowed to adopt various forms of management to carry out the leasing and contract systems on a trial basis and in a step-by-step manner. Enterprises should reform their leadership system and comprehensively carry out the plant director (manager) responsibility system. The "three provisions" for state industrial enterprises should conscientiously be implemented. Enterprises should rationalize the relations between plant directors, party organizations, and staff and workers' congresses; define that plant directors play a key role in enterprises; and bring into full play the functions of party organizations and staff and workers' congresses.



Enterprises should further reform their inherent distribution system and link staff and workers' actual contributions with their material interests in order to arouse their enthusiasm to the maximum. Simultaneously, we should continue carrying out the work of streamlining administrative companies, and strictly stop the practices of arbitrarily apportioning expenses and imposing fines. Simultaneously, we should grasp the reform of labor service system, set up and develop urban and rural labor service markets, accelerate the pace of the work in which society makes a unified arrangement for staff and workers' pension, and strive to create a relaxed external condition for vitalizing the enterprises.

Third, we should further develop socialist democracy and perfect socialist legality. Democracy and legality are closely related to and inseparable from each other. No true socialist democracy will exist if there is no socialist legality. Thus, we should conscientiously implement the "Decision on Strengthening Legal Education to Safeguard Stability and Unity" adopted at the 19th Standing Committee meeting of the 6th NPC. The decision is a powerful ideological and legal weapon to oppose the ideological trend of bourgeois liberalism as well as an important teaching material for education on legality with the focus on the constitution. So we must extensively and deeply disseminate and study the decision to ensure that each and every household will understand it, to enhance the vast number of cadres' and masses' awareness of legality, and to enable the citizens to consciously abide by discipline and the law and to standardize their speech and actions. We should vigorously strengthen the improvement of economic legal system and conscientiously implement the economic law and regulations of the state. Simultaneously, the province should firmly grasp the formulation of local economic law and regulations in accordance with the demands of the province's economic development, and should timely sort out, revise, and abolish the local law and regulations which are not suitable for the demands of economic development. Leading cadres of governments at all levels and cadres and policemen of public security and judicial departments should strictly enforce the law and discipline in order to ensure that there are laws which they can and must abide by, that they should strictly enforce the law, and that whomever violates the law must be called to account. The urban and rural areas throughout the province should continue carrying out the activities of dealing blows to various criminal offenders and economic criminals, strengthen security management, consolidate public order, and strive to sustainably and steadily improve social order.

Fourth, governments should enhance their contacts with the masses and consciously accept supervision by the people. As standing for the interests of the people, governments at all levels should serve the people, accept supervision by the people, and have close contacts with the people. Supervision over governments by people's congresses at all levels and their permanent organs embodies the will of the people and is an important expression that the people exercise democratic rights. So governments at all levels should consciously accept supervision by the people's congresses, should initiatively report their work to the people's congresses of the same levels and their standing committees, should conscientiously implement the resolutions of the people's congresses, and should continuously improve their work. Governments at all levels should strengthen their contacts with people's deputies and should pay attention to their criticism,



opinions, and suggestions on the government work. Motions set forth by people's deputies should conscientiously and seriously be treated and timely be answered. The motions that can be handled should rapidly be handled. As for the motions that cannot be handled at a time, we should organize forces to conduct investigations and study and set forth feasible measures for handling them in a step-by-step manner. We should conscientiously build grassroots power and should truly build grassroots power into political power with vitality, authority and high efficiency that can keep close contacts with the masses, serve the masses wholeheartedly, and effectively guide and manage political, economic, and cultural affairs of their own administrative divisions. We should strengthen the work of handling visitors and incoming letters from the masses, carry forward the fine tradition of keeping close contacts with the masses, and safeguard the legal right and interests of the masses. The working personnel of government organs at all levels should further foster an idea that "leadership is service," eliminate bureaucracy, further improve workstyles, utter less idel talk, do more solid work, go deep into the grassroots to conduct investigations and study, and strive to improve their work efficiency. Research and consultation departments should bring their functions into full play to continue upgrading the democratic and scientific levels of policy decisions.

Fifth, we should strengthen the unity between army and government and between army men and civilians and should extensively consolidate and develop the patriotic united front. We should further strengthen frontier defense construction, enthusiastically carry out the campaign of supporting the army and giving preferential treatment to families of revolutionary army men and martyrs, and make good arrangements for retired and demobilized soldiers and soldiers who are transferred from army units. We should further implement the party's policies on nationalities, religions, affairs concerning nationals living abroad, and businessmen of industrial and commercial circles. Efforts should be made to improve the work toward compatriots in Taiwan, Hong Kong, and Macao, and toward Overseas Chinese in order to promote the reunification of the motherland and serve the province's economic invigoration.

Fellow deputies: The tasks ahead of all people of the province in 1987 are glorious but arduous. Under the leadership of the party Central Committee, the State Council, and the provincial party committee, we should adhere to the four cardinal principles; carry forward the spirit of plain living and arduous struggle; continue developing the atmosphere of democracy, unity, harmony, and vitality among every social field; and greatly arouse the enthusiasm of the vast number of workers, peasants, intellectuals, cadres, PLA commanders and fighters, and public security cadres and policemen to consolidate and expand the patriotic united front and to make efforts to comprehensively fulfill all tasks for 1987.

/12232

CSO: 4006/648

## BORDER TRADE WITH USSR INCREASES IN 1987

OW140555 Beijing in Russian to the USSR 1800 GMT 13 May 87

[Text] This year, the border trade between the Nei Monggol and Xinjiang Uygur Autonomous Regions and the USSR acquired a new development. The first regular meeting on trade between the Dalintorg [Far East International Trade Association] and the Nei Monggol Border Trade Company was held recently in Hohhot. The two sides concluded contracts on the mutual supply of goods worth 11,200,000 Swiss francs.

The total volume of imports and exports between the PRC and the USSR in the first 6 months of this year will increase by 75.6 (?percent) against the corresponding period of last year.

As has become known, the two sides will also hold talks in June on concluding contracts for border trade in the second half of this year.

The trade volume has been increasing from year to year since 1981, when the border trade between the two countries was resumed. Last year, the trade turnover between the two sides increased by a factor of 17 against 1983.

The Soviet side now supplies China with timber, chemical fertilizers, cement, and other products. The Chinese side, supplies the USSR with light and textile industrial goods, and fruit.

/8309

CSO: 4020/182

## RONG YIREN MEETS WITH U.S. COMMERCE SECRETARY

OW071416 Beijing XINHUA in English 1401 GMT 7 May 87

[Text] Washington, May 6 (XINHUA)--Both China and the United States will be hurt if the United States adopts the protectionist trade measures now moving through the U.S. Congress, a leading Chinese businessman said today.

China is speeding up work on its new economic laws which will favor foreign investment, including that from the United States, said Rong Yiren, chairman of the Board of the China International Trust and Investment Corporation (CITIC).

Rong, also a vice-chairman of the Standing Committee of China's National People's Congress, expressed his concern on protectionism to U.S. Commerce Secretary Malcolm Baldrige.

Baldrige told Rong the U.S. Senate will pass a trade law no more strict than the one already approved by the House of Representatives.

Baldrige proposed successful Sino-American joint ventures in China be studied as a guide for new ventures.

Rong also told some 20 leading American businessmen and bankers that China's open-door policy will be maintained and expanded.

China will become more open, Rong said at today's luncheon hosted by President of America-China Society Terbert J. Hansell.

CITIC, established in 1979, is a state-owned enterprise with capitalist-style management to promote trade, financing, business management and investment in China, Rong said.

CITIC's business activities are supported by China's State Council, he added.

The CITIC chairman met with U.S. congressional leaders yesterday and today, including, House Majority Leader Thomas Foley, House Minority Leader Robert Michel and Senate Minority Leader Robert Dole.

Rong arrived in Washington May 2 after a visit to New York.

/8309

CSO: 4020/182

## OVER 50 PROJECTS WITH NETHERLANDS UNDER NEGOTIATION

HK130300 Beijing CHINA DAILY in English 13 May 87 p 2

[By Staff Reporter Yan Ling]

[Text] Sino-Dutch trade relations have been steadily improving and the two countries are now in a "period of full-scale economic cooperation," an official of the Ministry of Foreign Economic Relations and Trade told CHINA DAILY yesterday.

"China is satisfied with the steady increase in its trade with the Netherlands since the resumption of full diplomatic relations in 1984, and the current official visit by the Netherlands Prime Minister Rudolphus Lubbers will give a further push to the relationship," said Dai Yunlou of the ministry's Third Regional Department.

At the moment, negotiations involving more than 50 projects are underway and "some big deals will be reached this year," he said.

Dai highlighted the rapid progress being made in the bilateral trade, which totalled \$740 million last year. This is 29 percent up on 1985.

Considering the market capacity of both countries, it is not a large amount. But it represents tremendous progress from a very low level, he said.

According to the latest figures from the China Customs, Sino-Dutch trade in the first quarter of this year hit \$160 million, up 0.5 percent over the same period last year.

Despite progress, the potentials of both markets have not been fully tapped and the current priority is to strengthen mutual understanding and to know each other's needs, he said.

Last year, China exported goods worth \$460 million to the Netherlands and imported goods worth \$277 million. Imports were mainly chemicals, fertilizers and steel products.



While China increased its exports of traditional commodities like oils and cereals, textiles and native produce to the Netherlands, coal has become a major export to the country.

Dai said that China also increased its exports to Europe via the Netherlands, a traditional international market.

"At the moment, we have not yet taken full advantage of this market. But we like to channel sales to other European countries through the Netherlands," he said.

He said that China's imports from the Netherlands did not increase much, because some Dutch firms had not fully grasped the trade opportunities to provide products that China wanted.

"Much of the Netherlands' technology in energy, chemical and electronic industries matches the need of our construction priorities, and there are many opportunities for cooperation," Dai said.

In an earlier report, Zheng Tuobin, minister of foreign economic relations and trade, told the newspaper INTERNATIONAL BUSINESS that China attaches great importance to the imports of Dutch technology and equipment.

Since 1984, China has spent \$250 million to introduce advanced technology and equipment from the Netherlands. Zheng said that he appreciated the effort by the Dutch Government to take a positive approach in promoting Sino-Dutch trade links and providing technical know-how.

But, the minister said, the bilateral trade volume and the scale of the economic cooperation are still small "and it needs further efforts from both sides to increase the trade and economic cooperation in a short time."

"We take West Europe as a potential market and an important source of advanced technology and equipment," Zheng said.

/8309

CSO: 4020/182

## BOHAI ECONOMIC REGION FOREIGN TRADE PROSPERS

OW090932 Beijing XINHUA in English 0831 GMT 9 May 87

[Text] Beijing, May 9 (XINHUA)—Over the past three years, the Bohai economic region has signed 3,000 contracts with foreign countries which involve four billion U.S. dollars.

To date, the region has signed contracts for 400 Sino-foreign joint and cooperative ventures funded by 1.4 billion U.S. dollars, of which 760 million is foreign investment. Before 1984, the region had only five joint ventures, but now 170 are in operation.

The Bohai economic region, which surrounds the Bohai sea, includes the Tianjin municipality and Liaoning, Hebei and Shandong provinces, encompasses 5,000 kilometers of coastline, and has established trade relations with 150 countries.

The region's economic and technological cooperation with foreign countries focuses on introducing advanced technology and equipment and upgrading existing enterprises.

The five international ports of Tianjin, Dalian, Qingdao, Yantai, Qinhuangdao and Dandong, and Yingkou all located in the Bohai region have introduced 2,000 up-to-date techniques, which required investments of 1.5 billion U.S. dollars. Now 50 percent of the new techniques are already being used in production and a thousand existing enterprises have been upgraded, which has increased industrial output value by six billion yuan (1.6 billion U.S. dollars) annually.

Dalian's shipbuilding industry has introduced heavy-duty cranes and other advanced technology, and is now producing ships up to the advanced international standards of the 1980's.

The region has spent several billion yuan on infrastructure construction to improve the region's investment environment. Now the handling capacity of Dalian's harbours are keeping up with current shipping demands.

Nine cities have opened airports, and the airports in Tianjin and Dalian now offer international air service. Most of the cities have installed or are in the process of installing computer-controlled switchboards capable of handling 200,000 lines.

Qingdao has set up an office to handle foreign investment problems, and other cities are setting up service centers to assist investors with construction, hiring personnel, material supply, accommodations and related services.

The lack of trained personnel is hindering the region's development, and to help solve the problem, over the past three years, Yantai has trained 1,300 foreign trade workers, employed 3,900 qualified personnel and invited 100 foreign specialists.

The region's development rate has exceeded the country's average in recent years, and Tianjin's annual industrial output value has topped 30 billion yuan (8.1 billion U.S. dollars). Following Dalian and Qingdao, Yantai is one of China's 20 cities boasting 10 billion yuan (2.7 billion U.S. dollars) in industrial output annually.

/8309

CSO: 4020/182

## BRIEFS

**SOFTWARE PATENT TO IBM**--Beijing, May 12 (XINHUA)--China has sold a software patent to the U.S.-based IBM Company. At a press conference here today, Wang Yongmin, the inventor and patent holder said, his technique is the first to earn a U.S. patent for using Chinese characters on a computer. A spokesman for the China National Technological Export Corporation said, "the IBM Company, after looking at several similar programs, selected Wang's and signed a contract with the corporation for the patent at the end of last month." "The technique is easy to learn and highly efficient," a corporation spokesman said, "and it is now being used domestically in 29 provinces, municipalities, and autonomous regions. [Text] [Beijing XINHUA in English 1600 GMT 12 May 87] /8309

**ELECTRIC FAN EXPORTS**--Beijing, May 10 (XINHUA)--China plans to export more electric fans, as the product has so far earned more foreign currency than other electric appliances, the PEOPLE'S DAILY reported today. In 1986, China produced 34.8 million electric fans and exported a million, earning several hundred million U.S. dollars, the paper said. China has a great potential in producing electric fans which are highly competitive on the international market, the paper reported. The Pearl River Delta is an important base for producing export fans. Of the 14 fan producing enterprises under the Ministry of Light Industry, eight are located in the delta. The Guangdong Nanhai electric fan factory turned out 760,000 fans last year and sold 70 percent of them abroad including 400,000 on the North American market, the paper reported. Last year, the Shanghai Huasheng electric fan plant exported 300,000 fans, an increase of 50 percent over 1985, according to the paper. [Text] [Beijing XINHUA in English 1351 GMT 10 May 87] /8309

CSO: 4020/182



## OFFICIALS TOUR PROVINCES, OFFER GUIDANCE

OW101144 Beijing XINHUA in English 1118 GMT 10 Feb 87

[Text] Beijing, February 10 (XINHUA)--Over 200 officials headed by Cao Qingnong, will go to the countryside in over 20 provinces in the next few days to investigate agricultural production.

The 57-year-old Cao said, "the whole year's work depends on a good start in spring. We must lose no time in offering correct guidance."

Cao said the officials will be divided into 20 groups and go to Sichuan Province, China's leading grain producer, and Henan Province, the leading wheat producer, as well as Hebei, Jilin, Shandong, Liaoning, Shaanxi Provinces and Guangxi Zhuang Autonomous Region.

The officials are specialists of agricultural sciences. They will offer advice on planting summer grain crops and spring ploughing, supervise the supply of materials and the circulation of farm products.

Chen Yaobang, vice-minister of agriculture, animal husbandry and fisheries, said that in addition to the development of a diversified economic structure, China will adjust the policies and strengthen agriculture.

He said, "China reaped a bumper harvest two years ago. But there were problems getting grains to market which caused farmers to neglect grain production the follow year. Now the government at all levels has taken a larger leadership role to help improve the grain harvest."

China's grain and cotton crops are projected to reach 400 million tons and 4.25 million tons this year. Edible oil products, sugar and other economic crops are projected also to increase.

He said that the government should encourage the peasants to plant grain in order to meet projections. Peasants will be assured of a certain amount of fertilizer and oil and advanced payment according to the amount of grain they promise to sell to the state. The surplus grain can be sold on the markets. The government will also raise the prices of five major categories of farm products including corn, rice and cottonseed. This is the second price rise of farm products since 1978.

The state and local governments will put 1.1 billion yuan (nearly 300 million U.S. dollars) into agricultural production to build over 200 commodity grain producing bases. The production and supply of chemical fertilizer, diesel, plastic film and pesticides will also increase greatly this year.

The Ministry of Agriculture, Animal Husbandry and Fisheries has set up a fund for spreading agricultural technology and the "bumper harvest award" to promote grain production.

Reports from all parts of the country show that the field management work has gone on smoothly this past winter.

/9716

CSO: 4020/180

## 'SPARK PLAN' SPURS DEVELOPMENT IN RURAL AREAS

OW101431 Beijing XINHUA in English 1357 GMT 10 May 87

["Round-up: 'Spark Plan' showing results"--XINHUA headline]

[Text] Beijing, May 10 (XINHUA)--China's "Spark Plan", introduced in May 1985, is helping to accelerate economic development in rural areas and beginning to show positive results.

To date, according to officials of China's State Science and Technology Commission, which initiated the plan, 1.05 million rural residents have been trained in practical skills.

Commission officials said they started 39 projects in 1985, and most of them have begun to yield returns equivalent to up to five times the financial inputs.

They started 4,018 projects in 1986, some 70 percent of which have begun to yield positive returns. When completed in two or three years they will turn out 10 billion yuan of additional production value every year and 2.5 billion yuan in profits and taxes.

The state and local governments have allocated some 2.3 billion yuan (about 621 million U.S. dollars) to fund the projects under the plan.

China's rural sectors have experienced fast growth since the third plenum of the 11th party Central Committee in 1978, when the production responsibility system was introduced into farm production. "But whether we can sustain that growth and modernize agriculture depends on how effectively the rural sectors can make use of modern technology," said Song Jian, Minister in Charge of the commission.

"Surveys show China has only 150,000 qualified technical personnel working in rural areas," said Song, adding, "which means that on the average each technician has to manage 467 hectares of arable land, 7,000 head of livestock, 153,300 hectares of pasture or 160 rural enterprises."

According to Song, with this information in hand, the state science and technology commission designed and implemented the "Spark Plan."

The plan is designed to increase specialization in traditional agricultural production, put China's limited arable land to more effective use, expand auxiliary production in rural enterprises for large urban enterprises and spread new technology and materials.

To achieve the goal of modernizing farm production, the commission plans to train one million young residents in rural areas in practical techniques so that they can start profitable businesses and develop agriculture.

To help rural enterprises with technological know-how is another aim of the plan. Following the plan's guidelines, the state has issued policies encouraging intellectuals, mostly from research institutes and government offices in large cities, to go to rural areas and get involved in "spark plan" projects.

According to commission data, three universities and 18 research institutes in east China's Shandong Province have helped organize 65 classes to train 75,600 technicians to head spark plan projects, while in southwest China's Sichuan Province, 24 colleges and universities, 40 military-affiliated industries and several research institutes have offered technical services to over 2,900 small rural enterprises.

Another aim of the plan is to help poverty-stricken areas prosper more quickly. In an earlier experiment coordinated by the commission, it was reported that scientists and local farmers in the Taihang mountain region in western Hebei Province successfully raised their annual per capita income from below 100 yuan (about 27 U.S. dollars) to over 250 yuan within three years.

In the experiment, said the report, 11 percent of the total labor force in the region took agricultural science courses by means of radio, slide shows, booklets and lectures.

According to the report, the state invested 4.57 million yuan in the experiment and the added income for farmers amounted to 176 million yuan a year.

The training programs organized under the plan have turned many farmers into entrepreneurs. Zhou Jihu, a young farmer in central China's Hubei Province, for example, learned new cultivation techniques and started his own business. In only three years, his business was earning an annual profit equal to 20,000 U.S. dollars. Zhou has also helped 100 of his neighbors prosper and has replied to 1,400 letters from people in other parts of the country asking for advice.

This year, 100 agricultural experts based in Beijing have helped to choose 150 pilot projects and production sectors to be developed under the plan during 1987-89, said Du Runsheng, director of the China Rural Development Research Center.

The state will also set up 12 areas in large and medium-sized cities where projects under the plan are concentrated, to provide equipment, take the lead in production and train personnel for rural enterprises in their suburbs.



As an old Chinese saying goes, "a single spark can start a prairie fire." So the "spark plan" has ignited large-scale application of modern technology in the vast rural areas of China. Farmers in China have left the confines of a self-contained economy with the help of technology and have started on the road toward modern agriculture, commission officials concluded.

/9716

CSO: 4020/180

## AGRICULTURAL BANK LOANS RAISE FARM OUTPUT

OW111114 Beijing XINHUA in English 1054 GMT 11 May 87

[Text] Beijing, May 11 (XINHUA)--The Agricultural Bank of China has been providing timely loans in large amounts to boost the country's farm production since the beginning of this year.

By the end of April, the bank and rural credit cooperatives had loaned out more than 34 billion yuan to support farming, 80 percent more than in the same period of last year, a bank official told XINHUA today.

In the meantime, they also offered more than 79 billion yuan worth of commercial loans to rural cooperatives and material supply centers to boost the production of pesticides, chemical fertilizers, farm machinery and other production materials.

The sales volume of materials needed for farm production exceeded 15 billion yuan during the first three months of this year, he said, adding that this was a 35 percent increase over the same 1986 period.

"In order to raise more funds to support agricultural development, we have actively promoted the fund borrowing and lending markets," the official said.

He cited the example of the Qinghai Agricultural Bank which borrowed 37 million yuan from banks in other regions in February to assist areas suffering from fund shortages.

The Agricultural Bank has also adopted some preferential measures in extending loans. Loans are granted in the first place to applicants who need them to promote the use of advanced farming techniques or maintain irrigation systems, or to those who have sold large amounts of grain to the government.

By the end of April, the bank had offered 210 million yuan to poverty-stricken areas as special support.

Agricultural banks in Heilongjiang province cooperated with local scientific departments and arranged nearly 100 million yuan in loans to promote major scientific achievements in the cultivation of corn, soybeans and rice, and the technique of extracting goose feathers.

## GRAIN PRODUCTION CENTERS BUILT ALONG YELLOW RIVER

OW090959 Beijing XINHUA in English 0601 GMT 9 May 87

[Text] Beijing, May 9 (XINHUA)--China has built marketable grain production centers with a total area of 4.67 million hectares or one-third of the total farmland along the Yellow River, the country's second-longest waterway, according to local agriculture officials.

Last year, their grain output made up more than 50 percent of that of the river valley, with 25 million tons delivered to the state.

The state and local provinces jointly invested in the construction of irrigation facilities on the dry and semi-dry farmland in the valley to avert the menace of drought and waterlogging.

On the plain in the river's great bend, seven projects built after 1980 have gone into service, expanding the irrigation area from 333,000 hectares to more than one million.

Now the Inner Mongolia Autonomous Region is building irrigation projects in the bend with loans from the World Bank. When they are completed in 1990, marketable grain production centers in the region are expected to expand from 533,000 hectares to 1.16 million hectares.

Shaanxi Province has built 21 big and medium-size reservoirs and five big irrigation zones in the Weihe river basin and is undertaking the Donglei project to divert water from the Yellow River with aid from the Food and Agriculture Organization of the United Nations.

A number of irrigation facilities, including reservoirs and sluice gates, are also being built in Shanxi, Henan and Shandong provinces.

As a result, per hectare grain output of the centers in the Fenhe-Weihe river basin and on the plain on the lower reaches of the Yellow River have exceeded 7.5 tons.

This year, farmers in the centers have in general increased their agricultural input. According to a sample survey, funds used to purchase fertilizer and pesticide were 300 yuan (about eight U.S. dollars) per hectare more than last year.

## PRC PLANS TO EXPAND DEEP-SEA FISHING ACTIVITIES

HK120344 Beijing CHINA DAILY in English 12 May 87 p 3

[Text] China hopes to expand its deep-sea fishing fleet to stop overfishing in home waters, according to CHINA FOOD NEWS.

Since 1985 when the country's first deep-sea trawlers went to the Atlantic off West Africa, nearly 40 fishing vessels have sailed to three oceans to fish in the zones of nearly 10 countries which have fishing agreements with China.

Eight trawler companies have started deep-sea fishing from their homeports in Dalian, Shanghai and Yantai, and the Zhoushan Islands off Fujian Province, the paper reported.

In the past two years, catches have totalled more than 40,000 tons.

Deep-sea fishing is an important part of China's industry, the paper added. It has helped alleviate the rush for inshore fishing and preserve stocks in coastal waters.

Deep-sea fishing has also given Chinese fishermen experience working in co-operation with foreign fleets, the paper said.

In the near future, the paper said, Chinese fleets plan to fish the oceans around Southeast Asia and South America as well as the known fishing grounds off West Africa and North America.

Supply ships will sail with the trawlers, the paper said, while collectively-run fleets will also be allowed to go deep-sea fishing if their crews are well trained and the trawlers well equipped.

Fishing can be a profitable business, said the paper. So far, more than 50 countries have expressed their willingness to cooperate with China in deep-sea fishing.

According to an official of the Ministry of Agriculture, Animal Husbandry and Fishery, China's total catches, including fishing in home waters, reached 8 million tons in 1986, 17 percent more than in 1985 and averaging 7.8 kilograms a head. By 1990, he said, China plans to raise its annual catch to 9 million tons.



Meanwhile, the overseas edition of PEOPLE'S DAILY reported yesterday that the International Development Association under the World Bank has invested \$6 million in building a fresh water fish breeding centre in Shenyang, Liaoning Province.

Scheduled for completion in 1989, the project will cover 1,667 hectares of land in five suburban counties. With advanced facilities, the paper said, the centre is designed to produce 525 kilograms of fish per hectare. When completed, the centre will help Shenyang city raise its per-capita annual fish output from the present 1.24 kilograms to 2.5 kilograms.

The centre is part of a World Bank investment project to help fish farming in eight Chinese cities, including Shenyang and Beijing.

/9716

CSO: 4020/180

## AGRICULTURAL DEVELOPMENT RESEARCH CENTER ESTABLISHED

OW081303 Beijing XINHUA in English 1203 GMT 8 May 87

[Text] Beijing, May 8 (XINHUA)--A research center, designed to help the government make decisions affecting agricultural policies more democratic and scientific, has been set up in Beijing today.

Agriculture minister, He Kang, said the center will submit mid- and long-term development plans to the government. The agricultural development strategy research center will make proposals after investigating the needs of the agriculture, animal husbandry and fisheries sectors.

It will also keep an eye on major problems in national and international agricultural development and offer consultation services to the authorities, he added.

The center is composed of experts and professors from the Chinese Academy of Agricultural Sciences, colleges, universities and institutes around the country. The center will help develop both regional and national agricultural policies.

This year, it will conduct major investigations into the production of grain, cotton and livestock and the present and future prospects of village and town enterprises.

Experts from the center will cooperate with their foreign counterparts on research and training.

During the Seventh Five-Year Plan, until 1990, the center and the World Bank will work together charting trends in the world's production of cotton and the influence China's policies have on the world.

Establishing the center is necessary, he said, to develop the agricultural economy and motivate all social forces in agricultural decision-making.

/9716

CSO: 4020/180

## FUNDING FOR RURAL DEVELOPMENT IN HUNAN

Beijing NONGYE JINGJI WENTI [PROBLEMS OF AGRICULTURAL ECONOMY] in Chinese No 1, 23 Jan 87 pp 21-24

[Article by Feng Guojun [7458 0948 6874], Hunan Rural Economic Commission: "A Forecast of Total Supply and Demand for Rural Economic Development Funds in Hunan and Ways to Deal With the Situation"]

[Text] Funding is a major factor in developing the rural commodity economy. This paper conducts a preliminary inquiry forecasting the total supply and demand for rural economic development funds in Hunan in the years 1990 and 2000 and proposing ways to deal with the situation.

I. Development in the Rural Commodity Economy Is Facing an Acute Dilemma of Insufficient Funds

The dilemma is focused on one point: that the total quantity of funding is inadequate and the quality of funding is fragile. This dilemma was not too prominent before the first stage of rural reform was put into effect. Now the situation has changed significantly: the scale of peasant production operations is increasing day by day and industrial goods are proliferating rapidly. In particular, the rapid rise of township and town enterprises composed principally of secondary and tertiary industries, and the acceleration of fund circulation, has progressively sharpened the contradiction between the increase in total demand for funds and the inadequacy of total funding supplies. We can see from a survey of rural funding that the problem is expressed in the following major ways:

1. Farmers' own funds are seriously inadequate. Since the output-related system of contracted responsibility was implemented, the evils of overaccumulation and underconsumption on the peoples' communes have been brought under control in the countryside, but in many places overconsumption and underaccumulation has appeared. The farmers do not have enough funds of their own, and this affects the expansion of reproduction. According to statistics from surveys conducted by the departments concerned, funds raised by various enterprises and farmers accounted for only 33.4 percent of the total input of funds in the Hunan countryside from 1982 to 1984; funding through banks and credit cooperatives comprised 57.6 percent (excluding loans for peasant living expenses); and publically financed farm-support funds

accounted for 9 percent. Funding for agricultural production was supplied primarily through credit.

2. Publically financed farm-support funding has dropped by a large margin. The sum of provincial farm-support funding plus credit through agricultural banks and credit cooperatives has increased to a large degree in the past few years, but of these three sources of funds, the amount supplied by provincial farm-support funds has declined substantially. It has fallen from 583.61 million yuan in 1979, when it comprised 23.2 percent of Hunan's financial expenditures, to 453.72 million yuan in 1984, when it accounted for 15.1 percent. Of this, the investment in capital construction declined from 147.50 million yuan to 53.97 million yuan. Funds used directly in agriculture dropped from 371.96 million yuan, or 14.8 percent of total financial disbursements in Hunan, to 320.41 million yuan, or 10.7 percent of disbursements. Of the direct farm-support funds, spending on agricultural and forest water conservancy facilities declined from 332.26 million yuan to 208.84 million yuan. This is extremely unreasonable in the face of an increase of 3.6 percent per year in total financial disbursements since 1979. Looking at spending on farm and forest water conservancy projects, not only has the total amount decreased, but because work teams have expanded without interruption and total wages have increased significantly, spending on facilities is being increasingly squeezed out by spending on people. This has caused the ratio of wages to facility costs to change from 37:63 in 1978 to 64:36 in 1984 and 70:30 in 1985. Wages have grown and there is not much money left for running facilities. From the perspective of funding for constructing water conservancy facilities on farmland, the shrinkage has been excessive. Since the PRC was founded we have invested a total of over 3 billion yuan in water conservancy construction on farmland, spending 100 million yuan per year on average and 150 million yuan per year at most. However, since 1979 spending in this area has declined precipitously. During the Sixth 5-Year Plan we spent an average of only 57.24 million yuan per year on water conservancy construction on farmland, or 54.3 percent less than the annual average of 125.34 million yuan we spent during the Fifth 5-Year Plan. The situation is so bad that many new water conservancy projects cannot get started and many existing facilities either have conveyance systems that cannot be completed promptly or else they have been in disrepair for many years. This has a serious effect on sustained, stable, coordinated development in agricultural production.

3. The rural credit structure is undiversified and our financial capacity is low. First of all, there is a great disparity between seasonal revenues and expenditures, there is little leeway to manoeuvre, and the peak demand season does not dovetail with the peak loan season. Second, the imbalance in funds is relatively excessive. In less than 10 percent of the county and municipal agricultural banks throughout Hunan do revenues and expenditures basically balance with a slight cash surplus. Third, funds are not used very efficiently. The quantity of credit offered through agricultural banks in 1984 was 67.2 percent higher than in 1980, while during the same time period the value of agricultural and sideline commodities grew only 50 percent. Fourth, credit funds belong only in a short-term circulating situation and can only play a role in adjusting a farmer's ability to pay the bills. They do not have a strong capacity to support reproduction expansion. Fifth, the



inability to move the various funds back and forth within the bank affects the efficiency with which funds are used. For example, agricultural credit in Hunan increases in the first half of the year and decreases in the second half of the year, whereas industrial credit decreases in the first half of the year and increases in the second. Originally the difference between the times the funds were put into circulation could be used for mutual adjustments, but now this has been brought under control and is blocked tight.

4. The ratio of reserve funds banked by credit cooperatives has been rising and interest rates have been inverted, and this has had a serious effect on initiative in organizing credit funding. Originally it was stipulated that 30 percent of funds organized by credit cooperatives must be deposited in a bank as a reserve, another 20 percent or so should be deposited in a bank for general deposit transfers, and only about 50 percent could be controlled by the credit cooperative itself. Moreover, interest rates were inverted. In 1986, although the proportion of reserve funds had already dropped to 25 percent and general deposit transfers had not been set a directive standard, the problem of the high ratio of reserves and inverted interest rates had not been resolved. Under these circumstances, for their own existence and development, on the one hand the credit cooperatives had no choice but to use every means at their disposal to expand the scale of credit and increase money paid for shares (money paid for shares is not put into reserve funds), and on the other hand they had to seek to issue high-interest loans and make up for losses. Consequently, to a certain degree this changed the character of credit cooperatives, affected the extension of low-interest loans for the planting and breeding industries, and affected agricultural production.

5. There is a huge gap in funding for the second stage of rural economic reform. In the second stage of reform we must make further adjustments in industrial composition, the ultimate goal of which is to create a composite industrial composition based on agriculture, featuring mutually integrated and coordinated development among diverse industries. This will assure that rural economic development follows a sound cyclical course. This requires a large quantity of surplus labor to shift to nonagricultural industries, and funds must take the place of land in carrying out production and management. The pace and scale of this development is to a large extent determined by the quantity and quality of funding inputs. Right now, funds for the second stage of reform are commonly in tight supply and there is a huge funding gap. For example, the baseline is that if township and town enterprises in Hunan are really to tap their full potential and achieve good economic momentum, in addition to their own existing funds and 700 million-plus yuan in credit, they must at the very least regularize over 1.5 billion yuan in equipment loans and circulating fund credit. Moreover, if we still find no way to resolve this funding gap, it will to a large degree restrict the development of township and town enterprises.

## II. A Forecast of Rural Funding Needs in the Years 1990 and 2000

Funding needs to develop the rural economy are primarily concentrated in the following areas: 1) The cost of production materials in rural industries; 2) Funding to shift labor into secondary and tertiary industries; 3) Funds for rural capital construction and the development of agricultural and forest

water conservancy facilities; 4) Credit funds for pre-production, production, and post-production services; 5) Foreign capital for importing technology, equipment, and management. Based on the actual quantities of funds invested in Hunan agriculture in recent years and in 1984, and based also on the funding needed for economic development in the years 1990 and 2000, what follows is a preliminary forecast: In 1984 all funds actually invested totalled 10,838,000,000 yuan. It is calculated that funding needs will measure 22,889,000,000 yuan in 1990 and 62,178,000,000 yuan in 2000. If we compare this with the Hunan's gross value of rural social output (20.99 billion yuan in 1984, projected at 39.5 billion yuan in 1990 and 88.0 billion yuan in 2000), for every 100 yuan created in the gross value of rural social output we needed to invest total funds worth 51.64 yuan in 1984 and we will need to invest 57.89 yuan in 1990 and 70.67 yuan in 2000. Now I will explain each of the above forecasts of funding needs:

1. Funding needs for material costs: In material costs, because there is a relatively wide disparity between primary industry and secondary and tertiary industry in terms of the percentage of industrial output value that covers material costs, we should separate them for the purposes of calculations and projections.

In 1990 material costs will require 13,825,000,000 yuan, up 5 percent over 1984 to an expense ratio of 35 percent. Of this, the expense ratio for primary industrial costs will be 25 percent, or 5,125,000,000 yuan, and the expense ratio for secondary and tertiary industry will be 46 percent, or 8.7 billion yuan. In the year 2000 material costs will require 44 billion yuan, up another 15 percent over 1990 to an expense ratio of 50 percent. Of this, the expense ratio for primary industrial costs will be 30 percent, or 10.05 billion yuan, and the expense ratio for secondary and tertiary industry will be 55 percent, or 29.95 billion yuan.

2. Funding needs for shifting the labor force: According to the Hunan Provincial Party Committee's estimates of the composition of the rural population and the labor force, the amount of rural labor that will shift from primary industry to secondary and tertiary industry will develop as follows: In the 6 years from 1984 to 1990 we will need to shift 4,534,600 workers, for an average transfer of 755,800 people per year. In the following 10 years, from 1991 to 2000, we will need to transfer 7,380,800 workers, an average of 738,200 workers per year. As for the amount of money needed to shift the labor force, according to statistics from the Hunan Township and Town Enterprise Bureau, in 1984 each worker in enterprises at the township and village level accounted for 2,069 yuan of fixed assets and circulating funds. Along these lines, for each worker shifted into township or town enterprises we must shift 2,069 yuan in funds. Furthermore, according to a survey conducted by the Hunan Agricultural Bank Research Institute on the transfer of agricultural laborers throughout Qidong County from primary industry into secondary and tertiary industry, each worker transfer required 2,236 yuan for technical training, aquisition of workshop equipment, and circulating funds. We take into consideration future enhancement of management and administration; improvements in economic results; the increasing ratio of transfer into tertiary industry, which requires relatively little funding; and the fact that fewer funds are needed to transfer workers into individual and

joint-household enterprises below the township and village levels. Consequently, when we calculate funding needs for labor transfers we figure 2,000 yuan per laborer. According to this specification, to shift a labor force of 11,915,000 in 16 years we will need to transfer 23,834,000,000 yuan in funds. Of this, from 1985 to 1990 we will need 1,512,000,000 yuan per year and in the latter 10 years we will need 1,476,000,000 per year.

3. Funding needs for rural capital construction and the development of agricultural and forest water conservancy facilities: The major project needs are as follows: we need capital construction on farmland; we need to innovate, remodel, and tap potential in enterprises and have circulating funds; we must develop new technology and new products; we must pay for agricultural and forest water conservancy facilities; we need construction in small cities and towns; we need investments to aid impoverished teams; we must provide poverty relief; we need to send urban people down into the countryside; and we must resettle residents displaced by reservoirs. These projects have historically relied on farm-support funds from provincial coffers. In 1984 the provincial farm-support funds actually invested amounted to 453,729,000 yuan, or 15.11 percent of Hunan's total financial disbursements. In the future, as the rural economy develops and agricultural modernization advances, the quantity of funds needed for rural capital construction and farm and forest water conservancy facilities will increase by a large margin, and there will be new changes in projects and emphases. According to preliminary projections, by 1990 these funding needs will total 1 billion yuan and by 2000 they will reach 2 billion yuan.

4. Credit needed for pre-production, production, and post-production services: In the wake of the intensification of rural economic development, the progressively expanding commodity economy will have a rapidly increasing need for credit from agricultural banks and credit cooperatives. In order to meet the need to enhance pre-production, production, and post-production services, not only will it be necessary to increase the total quantity and improve the quality of credit, it will also be necessary for the ratio of credit-fund inputs to gross value of rural social output to increase without interruption. In 1984, when the gross value of rural social output measured 20.99 billion yuan, inputs into credit funds totalled 3,267,000,000 yuan and the input to output ratio was 15.57:100. Calculating from the 1984 credit-fund input ratio, in 1990 we will need credit funds worth 6,152,000,000 yuan, which is nearly double the total input in 1984, and in 2000 we will need credit funds totalling 13,702,000,000 yuan--again, double the total credit funds for 1990. It should be pointed out that because these projections of the need for credit funds in the years 1990 and 2000 were figured based on the 1984 input ratio, the input ratio was not increased. Consequently, these are still short calculations of credit needs and it is entirely possible that real needs will be much greater.

5. Funding needs for importing technology, equipment, and management. Through economic restructuring, the rural economy will become an open economy and will undoubtedly import more and more technology, equipment, and management from outside the province and from abroad. In keeping with this, it is inevitable that we increase funds for importing from other provinces and nations. At the end of 1985 it was estimated the province had brought in 200



million yuan in foreign capital, and preliminary projections are that we will need foreign capital totalling 400 million yuan in 1990 and 1 billion yuan in 2000.

### III. Ways To Resolve Rural Funding Problems

Agricultural reproduction is both material reproduction and funding reproduction. Consequently, we must pay close attention to the movement of funds within agricultural production and promptly resolve the various problems that arise. Considering the current state of funding in Hunan and funding projections for the years 1990 and 2000, the contradiction between the demand for funds and the insufficient total supply of funds is bound to become a fairly prominent long-term contradiction. Generally speaking, to resolve funding problems we must uphold the spirit of reform and continue to carry out methods of deregulation, stimulation, comprehensive development, and source expansion. In this way we can create a multi-channel, multi-function funding structure based on self-accumulation in the rural economy. It will be composed primarily of rural credit, with publically financed farm-support funding as the mainstay and active absorption of funds from cities, towns, other provinces, and other nations as a supplement. This kind of funding structure offers a strong foundation, a prominent primary function, great resiliency, quick reactivity, and high benefits. We must also focus on taking charge in the following areas:

1. We must try hard to expand self-accumulated peasant funds. This is the basic path to resolving rural funding. We must educate and encourage farmers to integrate current and long-term interests, correctly handle the relationship between consumption and accumulation, and maintain simultaneous increases in accumulation and consumption. Right now peasant income is rising, savings deposits are increasing, and the decline in accumulation inputs should change rapidly. First we must guarantee production material consumption and costs. Second, in real peasant income (deducting material costs, tax payments, and withholdings), the various accumulations (including production funds, reserve funds, and so forth) must increase progressively from only 5.3 percent in 1985 to 10 percent in 1990 and 20 percent in 2000. Of course, if we are to increase accumulations, the basic course is to raise the gross value of rural social output. Chiefly, by actively readjusting industrial composition and energetically developing a diversified economy, and particularly by promoting township and town enterprises, we must bring about a daily increase in material wealth, improve the ratio of marketable agricultural and sideline commodities, and raise gross income. As part of the uninterrupted growth in gross income, we must gradually increase material inputs and improve the accumulation ratio.

2. We must constantly expand the scale of credit and improve financial capacity. From the perspective of projected funding requirements, the scale of loan funding necessary is quite large. This means that on the one hand the state must expand the scale of credit year after year, and on the other hand--and this is the major aspect--it must vigorously assimilate the expanded scale of savings deposits in society and guarantee the achievement of mid-range and long-term credit goals. As far as the near future is concerned, we must launch an active reform of rural banking and manage the relationship between



rural credit and the rural economy. Primarily, we must first permit credit cooperatives to act freely and allow independent operations, individual remittances, and self-responsibility for profits and losses. And, we must remove the credit cooperatives from management by agricultural banks and make them into genuine peasant-run credit cooperatives. Second, we must permit the credit-fund utilization rate to float and determine the height of that float based on operations in different industries, the length of credit time limits, the speed of fund turnover, the amount of unreasonable funding, and so forth. Third, we must actively establish a fund market; experiment with honoring commercial bills and discount business; destroy the undiversified method of organizing funds; implement multi-channel, multi-form methods of organizing funds, and strengthen credit funding. Fourth, we should allow and support credit activities between people. People-to-people credit poses many advantages: it is small-scale, decentralized, flexible, convenient, rapid in turnover, and highly effective. It can also fill in the gaps where banks and credit cooperatives do not operate or where their credit is unavailable at the right time. Of course, banks and credit cooperatives must enhance their management and guidance of credit transactions between people and ensure that advantages are propagated and disadvantages avoided and that they develop in the right direction. At the moment we must resolve the following problems: 1) Regarding funds distributed among various agricultural bank projects, credit cooperative projects, and assorted specialized banks, in the process of managing and using the funds, where there are time differences or regional differences we should allow fund transfers and horizontal financing to improve funding efficiency. 2) We should lower the proportion of reserves in credit cooperatives to 10 to 15 percent and reduce interest inversion. We should also allow credit cooperatives on their own to use ordinary sources of funds that are deposited and not further channeled into banks. 3) We must develop horizontal financing, stimulate precipitate funding, actively launch loan dismantling services with various specialized banks in Hunan, organize banking circles, and unite to supply funds. 4) We should energetically import development loans from large and medium-sized cities, factories and mines, enterprises, other provinces, and other nations, and put joint operations into effect.

3. We should gradually increase Hunan's financial inputs into agriculture. Based on projected demand, during the Seventh 5-Year Plan we must use an average of at least 18 percent of Hunan's total expenditures for rural economic development. From 1991 to 2000 we must apply at least 20 percent of provincial expenditures to this purpose. We must adjust the direction of investments to meet the needs of reform. The foci and primary objectives of inputs should be readjustment of industrial composition, capital construction on farmland, agricultural education, scientific and technological dissemination and research, improvement in the agricultural ecological environment, and construction in small cities and towns. We also need to reform methods of utilizing agricultural finances and improve economic benefits. Except for certain large and medium-sized construction projects and certain facilities working primarily for the benefit of society that still offer inputs free of charge, a substantial portion wants to gradually change free inputs into compensated, circulating inputs and adopt a snowballing form to progressively increase accumulation and turnover in this portion of public funding. These entities also want to change the "one big pot" method of free

inputs and institute an economic contract system. In the future, leaders at all levels and the departments concerned must pay close attention to organizing and utilizing public farm-support funding in order to guarantee that the input of farm-support funds and the actual state of rural economic development dovetail closely.

12510

CS0: 4006/397

## BRIEFS

WAR WAGED AGAINST INSECT PESTS--Beijing, May 7 (XINHUA)--China is waging war against insect pests plaguing the country's forests by introducing comprehensive prevention and treatment programs. "The project started last year, and by the end of next year the country expects to have all forest insect pests under control," an official of the forestry ministry said today. In 1986, the program was started on 4.53 million hectares of forests in 21 provinces, municipalities and autonomous regions," the official explained, "and insect pests, which were running rampant in previous years, are now under control on 777,000 hectares of demonstration plots." "Insect pests have been more problematic in recent years because of the expanding single-species forests and poor ecological management," the official added. The prevention and treatment programs, developed by the ministry after 12 years of research, involve pesticides and selective planting, and will gradually improve a forest's natural ability to ward off insect pests." [Text] [Beijing XINHUA in English 1207 GMT 7 May 87 OW]

/9716

CSO: 4020/180

## BRIEFS

NETHERLANDS SUBMARINE DELIVERY—A Dutch trade representative said in Taipei Wednesday that the first of two submarines the ROC [Republic of China] ordered from Holland, "Sea Dragon," will be delivered to the Chinese Navy before the end of this year. Managing director of the Netherlands' Council for Trade Promotion, Taipei Office, (Hans Christopher) reported that "Sea Dragon" completed its test run on 14 April, during which the vessel reached the required depth. The director dismissed as unfounded previous reports that Sea Dragon failed to reach the specified depth in a test run. [Text] [Taipei International Service in English 0200 GMT 8 May 87 OW] /12913

CSO: 4000/096



WEN WEI PO ON DIRECT ELECTIONS IN HONG KONG

HK120737 Hong Kong WEN WEI PO in Chinese 11 May 87 p 2

[Editorial: "The Question of Direct Elections Sets Off In-depth Discussions"]

[Text] The green paper on representative government will be made public at the end of this month, but those hoping for direct elections in 1988 and those hoping for the convergence of the political system have come forward to air their views.

Members of the Executive Council such as S.Y. Chung, Lydia Dunn, and Allen Lee and members of the Legislative Council such as Ngai Siu-kit and Cheng Hon-kwan have made their positions known. In business circles, property magnate Cheng Yu-tung has taken up the issue of the political system. Poon To-chuen, president of the Hong Kong Federation of Construction Trade Unions; Chan Wang-ngai, lecturer at the Law Department of the Hong Kong University; and those airing political views in the name of organizations or individuals are coming in a continuous stream. This shows that people holding different views pay close attention to the publication of the green paper and exert their influence to the best of their ability so that the green paper can properly and prudently reflect the wishes of their strata.

Some time ago, speeches calling for direct elections in 1988 basically flooded the print media. With the reflection of various opinions in recent days, the phenomenon of leaning to one side has changed. This is a healthy situation. Hong Kong is a free and pluralistic society. On major issues of vital importance to over [number indistinct] million people, it is impossible for people of all strata in Hong Kong not to show concern, to declare their positions, or to make options.

Due to their professions, some people can get into contact with a large number of people. Those holding public office can collect much information and have more time and opportunity to speak or to send manuscripts to the media. For this reason, they have talked a great deal about the question of the political system.

Conversely, people in the industrial and business circles have been so busy engaging in business and people at the grass roots have been so busy earning their living that they are restricted by various conditions, such as the time for participating in politics and facilities for obtaining information. For

this reason, they are probably a little late in study the development of the political system. Unlike social workers, it is difficult for people at the grass roots to find time to take part in political activities. They get almost all their information from newspapers, radio, and television. If the media invariably carry news of one inclination, it will be relatively difficult for them to make judgments on the development of the political system. They need more comprehensive views from more angles and to obtain more information to gain an understanding of the likely effect caused by the changes in the political system to the interests of their strata.

Obviously, people calling for direct elections in 1988 and people calling for the convergence of the political system can fully explain their comprehensive views. The more truth is debated, the clearer it becomes. This will enable the silent majority to ponder problems more profoundly and to join in the discussions in a better way. Divergent views seem to compete with one another. In fact, they complement one another. At least, they supplement some objective conditions or the interests of other strata that have been overlooked or ignored by the other party. This is greatly advantageous to exchanging views, to make up each other's deficiencies, to pooling the wisdom of the masses, and to enhancing our level of understanding.

Hong Kong has always been a harmonious society of common understanding. It is precisely for this reason that the Hong Kong political situation is the most stable in Southeast and Northeast Asia. Whenever there is an upheaval, capital always flows to Hong Kong. Hong Kong develops its economy by highly efficient social management, creating favorable climatic, geographical, and human conditions and taking advantage of others' defects to develop itself. What is the basis of this common understanding? Judging from the development in the past several decades can be summed up as follows: 1) Hong Kong is a capitalist society under special conditions, in which businessmen can do business freely and workers can change employers. The Hong Kong people attach importance to political stability and are more interested in developing the economy than in engaging in party politics. 2) It has a sound legal system and a government that can react swiftly to the objective conditions. 3) Both the bourgeoisie and the grass-roots strata hold the view that "we are in the same boat." For this reason, they do not want to rock the boat by pursuing their own immediate interests. At the most challenging moments during the Sino-British negotiations, all strata overcame the possible turmoil with a calm and patient approach. 4) The Hong Kong people work in an orderly and planned way, advancing step by step. They are good at acting according to practical conditions and work in a down-to-earth manner. But they are also quick-witted and handle affairs decisively. They are keen on seizing the opportunity rather than getting entangled over the past unpleasant issues.

On the direct elections issue, neither side negates direct elections. They have differences of opinion on the right moment, time, and conditions for holding direct elections. Besides 1988, direct elections can be held in 1991, 1994, or 1997. We can still develop the democratic process after 1997. Obviously, the great debate is advantageous. It is believed that the Hong Kong people will be able to coordinate themselves and reach a common understanding.

ANALYSTS VIEW EFFECTS OF RECENT CHUNG REMARKS

HK050845 Hong Kong HONG KONG STANDARD in English 5 May 87 p 2

[Text] Recent comments by Sir Sze-yuen Chung, the Senior Member of the Executive Council, diminish the importance of the upcoming political review, according to government analysts.

Sir S Y, who 12 days ago sparked a controversy by warning against the introduction of direct elections, subsequently said in an interview with China News Service that determining the distribution of power between the executive and legislative branches was a more critical issue.

"This matter will not be included in the upcoming political review, so Sir S Y must have been referring to the long-term reform of the government," said China University Senior Lecturer Mr Joseph Cheng. "This argument has the same objective as the argument often used by China's leaders: Direct elections should wait until the promulgation of the Basic Law in 1990." "Emphasizing the importance of government structure at this time is another way of saying that everything should wait."

Dr Cheng pointed out that Sir S Y's comments, coming only a week after he repeatedly said he had already said enough on the matter, emerged from an interview with a China-based news service.

"He was grumbling only a few days ago that he had nothing more to say, and suddenly here he was with these very important messages," said Dr Cheng.

"The reaction to his comments called for his own, further reaction," said Legislative Councillor Mr Andrew Wong. "The important thing is whether his views are correct, not guessing the reasons of his motives."

Mr Wong was convenor of the Omelco Constitutional Affairs panel whose report recommended maintaining the existing system between the Executive and Legislature.

Legislative Councillor Mr Hui Yin-fat said: "I don't know why he brought this matter up at this time. Perhaps he wants to prove that what he said earlier was not just 'off-the-cuff.'"

Mr Hui, said he didn't think Sir S Y had any ulterior motives in mapping out his views. "I don't think he's such a tricky man," he said.

Although China had not yet expressed any views on this matter, their officials are anxious that the Executive will continue to hold power as it does now, the official said.

/12858

CSO: 4000/092



PAPER SEES CHUNG REMARKS AS REALISTIC VIEWS

HK050847 Hong Kong HONG KONG STANDARD in English 5 May 87 p 8

[Editorial: "A Necessary Splash of Cold Water"]

[Text] The Senior Executive Councillor, Sir S Y Chung, has once again made it clear that Hong Kong people cannot afford to indulge in flights of fantasy about their collective future. His theme this time was: Political reforms: What kind do we need--if any? Sir S Y clearly agrees with the American philosopher who said, "If it ain't broke, don't fix it." Noting that Hong Kong's political system has been working well for 40 years, he said political reform is only necessary when the existing system doesn't work.

Please, he is saying, pay attention to the lessons of history. Don't allow yourself to be carried away by all this euphoria about freedom and independence. That way lies disappointment and disillusion. His comments are reminiscent of a passage from George Santayana's Life of Reason: "Action must be adjusted to certain elements of experience and not to others, and those chiefly regarded must have a certain interpretation put upon them by trained apperception. The rest must be treated as moonshine and taken no account of except perhaps in idle and poetic revery. In this crude way experience grows reasonable and appearance becomes knowledge of reality."

It is apparent that Sir S Y has a strongly rooted knowledge of reality. And he is clearly anxious to put a damper on some of the "moonshine" and "idle revery" we have been hearing here lately about the future role of Hong Kong people.

The remarks he has been making are clearly designed to bring the "dreamers" of Hong Kong down to earth and to substitute fact for fiction. The forthright Sir S Y has done us all a favour by telling us, candidly and pungently, to quit posturing and face facts. The proverbial difference between a politician and a statesman is that one thinks about the next election while the other thinks about the next generation. Sir S Y is unlikely to face an election in the near future, but he has been taking an unblinking look at the role that will be played by future generations of Hong Kong residents.

Making the election question a top priority of the forthcoming political review, he believes, would be like "putting the cart before the horse."

We have pointed out in the past that those who clamour for immediate direct elections are to an extent shooting in the dark. For all we know, the majority of our people are not interested in further political changes. Hong Kong has for years lived under the shadow of political inertia. Who can forget the unimpressive turnouts recorded at countless Urban Council elections over the years? This kind of apathy can sabotage the objectives that responsible citizens hope to achieve

We do not believe, however, that anyone should take a cynical view of the forthcoming political review. We have declared all along that the review should be genuine, thorough and not coloured by anything that China or anyone else says. Armed with the results, we can then press both Britain and China to accept the wishes of the people and introduce some degree of direct elections before 1997. The best time would seem to be 1991. This, of course, hinges on a majority of the people wanting direct elections.

We should keep in mind that--whatever Sir S Y says about carts and horses--Mr Deng Xiaoping has not ruled out direct elections after 1988. The Chinese leader also suggested that if there must be direct elections, then they should be introduced gradually. Even if those favouring direct elections turn out to be a minority, the assessment results will be useful in that Legislative Councillor Mr Martin Lee and the pressure groups will have a much better idea of how much more effort they have to put in to awaken the people.

It is Sir S Y's view, in any case, that the question of direct elections cannot be addressed until it is decided whether the Legislature and Executive should be independent of each other or fused. As to political parties, says Sir S Y, "We all understand that China does not want to see them in Hong Kong."

In an earlier portion of the same China News Service interview, Sir S Y insisted that he does not want Hong Kong people to have "false hopes." That is why he had earlier warned that public opinion might not be the deciding factor on the territory's political future.

This newspaper has in the past stressed that gradual development is best for the territory. There cannot be any question of a fully elected legislature by 1991 or any time before 1997. Even after the transfer of sovereignty, it is unlikely that we shall immediately see a fully and directly elected legislature. The Basic Law drafters have recommended several options, none of which calls for a fully elected legislature immediately after 1997.

At this stage advocates of political reforms should not be decrying the pronouncements of the Senior Executive Councillor. Nor should they keep labelling the government a "lame duck" administration. They should be

mobilising the silent majority to speak out for more representative government.

In the meantime, we should commend Sir S Y for throwing a healthy measure of cold water over those "false hopes" that have clouded the vision of far too many people here.

/12858

CSO: 4000/092

XINHUA STAFF CHANGES, LOCAL OPERATION VIEWED

HK060719 Hong Kong HONGKONG STANDARD in English 6 May 87 p 10

[By Chan Wai-fong and Yau Shing-mu]

[Text] One after another new faces keep popping up at the Hong Kong branch of the XINHUA NEWS AGENCY.

Starting from this month, the agency is to be headed by Mr Meng Fan, who has been with XINHUA since he joined in 1949.

He will soon be joined by another veteran journalist, Mr Yu Hang, who is to take over from Mr Zhu Ronggen as one of the three deputy editors-in-chief immediately under Mr Meng.

Mr Zhu will be transferred to the Japan branch office while Mr Huang Zumin and Mr Wang Renlin, are to remain.

Mr Yu has wide experience in international news coverage and has worked in London and Australia.

Beijing a branch of the XINHUA NEWS AGENCY and also a regional office responsible for about 15 countries in the Asia-Pacific region, XINHUA is now operating with a staff from the mainland and Hong Kong alike.

The ratio of local to mainland Chinese is about half-and-half.

To maintain its mainland characteristics and control, the leading posts are mainly occupied by correspondent staff seconded from the Beijing office.

In the editorial department the Hong Kong news desk has eight locally-recruited staff while two others are editors for regional news stories.

XINHUA's Hong Kong branch has gained more and more attention in recent years because of the political developments in the territory and also XINHUA's long-time ambition of becoming a competitive international news agency.

/8309

CSO: 4000/093



LOCAL XINHUA OFFICIAL INTERVIEWED ON CAREER

JK060735 Hong Kong HONGKONG STANDARD in English 6 May 87 p 10

[By Chan Wai-fong and Yau Shing-mu]

[Text] Language presents perhaps one of the major difficulties for the new editor-in-chief of the XINHUA NEWS AGENCY's Hong Kong branch.

Mr Meng Fan, 57, has taken the reins of the local news branch of China's state news agency, which is also its regional headquarters for Asia and the Pacific, since the former vice-director, Mr Chen Bojian, retired and returned to Beijing last Thursday.

Talking with the STANDARD at his office on Sharp Street, Mr Meng, like other top XINHUA officials, was evasive about his personal background but talkative on business-related subjects.

Though he majored in English when he was studying at Nankai University, in his hometown of Tianjin on China's northeast coast before 1949, he said he had difficulty mastering the language.

"This is one difficulty I'm facing right now because at the Asia and Pacific regional headquarters, English is our principal medium of communication.

"Moreover, I can't speak the local dialect (Cantonese)," he said frankly.

Mr Fan began his journalism career as a reporter. He worked in XINHUA's Tianjin branch for ten years until 1960, when he was transferred to the agency's Beijing headquarters.

Until recently, he was working in Beijing and finally headed the department which is responsible for despatching news stories about China to the outside world.

This is XINHUA's domestic section. The agency also has an international section which receives news from XINHUA reporters based around the world in such capitals as Bonn, Paris, Moscow, and Washington. There has even been an office in Tirana, the capital of Albania.

Mr Meng said that as he got more and more involved in the domestic bureau's administration, his use of English became more infrequent.

"Because I worked for so long on China related stories, I don't have experience in handling news about Hong Kong and foreign countries. This is another difficulty that I face," Mr Meng said.

Despite short working visits to Japan, Burma, Nepal, Cambodia and the United Kingdom, he has never been stationed overseas.

"Thus, I'm not familiar with news operations outside China and a lot of things I don't understand well.

"In order to catch up, I rely on reading newspapers here. But as you know, reading newspapers is usually not enough," Mr Meng said.

Asked why he was picked for the post Mr Meng replied that it was difficult to find a suitable candidate who knew both about China as well as overseas operations.

Mr Meng is now assisted by three deputy editors-in-chief. They are Mr Wang Relin, Mr Huang Zumin and Mr Zhu Ronggen. Mr Wang was his former assistant in Beijing. While Mr Huang and Mr Zhu were seconded from the international department which supervises the agency's overseas branches.

There is no fixed tenure for his present posting. "It all depends on the needs. But the official retirement age is 60," he said.

/8309

CSO: 4000/093

XINHUA OFFICIAL ON EFFORTS TO EXPAND OPERATION

HK060715 Hong Kong HONGKONG STANDARD in English 6 May 87 p 10

[By Ghan Wai-fong and Yau Shing-mu]

[Text] The XINHUA NEWS AGENCY--China's national body which controls all news inflow, is also a victim of media control in many countries in the Asia and Pacific region.

Out of the 11 countries in which the agency has branch offices, only in the Philippines and Thailand can XINHUA go directly to its users.

In the rest of the region (except Hong Kong), the wire service, has to be screened first by the respective national news agencies before it can be sent to individual media, according to the new editor-in-chief of the local branch of the XINHUA NEWS AGENCY.

This is exactly what China does at the moment, where XINHUA's Beijing headquarters receives information from news agencies around the world, selecting the ones they consider appropriate, and then send to media across the country.

During an interview with THE STANDARD earlier this week, Mr Meng Fan, who apart from being the new editor also holds the title of general manager for the Asia-Pacific region, said it would be much better if XINHUA could reach the regional media directly, saying that it might eventually result in more customers.

Four Chinese newspapers in Bangkok and 2 Chinese newspapers in the Philippines are subscribers to XINHUA's regional office.

In effect, Mr Meng said, XINHUA has no direct access to any of the English media in any of the countries in the region.

Mr Meng admits that the competition among news agencies has been quite keen in the region.

"In the past, because of the slowness of news coverage and the dullness of presentation, our agency had been on the losers' end of things," the new editor-in-chief said with a smile.

However, he is emphatic that XINHUA has been more competitive recently with improvements in timeliness, news content and news writing.

"XINHUA news items are increasingly being used in most of the region. In Nepal, for instance, XINHUA comes second only to AGENCE FRANCE PRESSE, the French news agency.

The situation is also quite satisfactory in the Philippines and more and more items are being used in Dhaka, Bangladesh," Mr Meng explained.

Aside from becoming more competitive, XINHUA is also trying to pave its way into countries where it has no branch office yet. They are Singapore, New Zealand and Australia.

XINHUA is officially barred from countries like Malaysia, Indonesia and Cambodia.

In Malaysia, with whom China has already established formal diplomatic relations, XINHUA can only exchange news with the national news agency.

The Hong Kong office is now monitoring news from 15 countries in the region through seven direct communication lines.

Although it doesn't bear the formal title of regional headquarters, the Hong Kong office functions independently, processing regional news on its own without prior screening by Beijing headquarters.

As a regional office, the Hong Kong office operates in two languages--Chinese and English.

Language has long been one of the major constraints for regional news offices.

Mr Meng said that reporters (for regional news coverage) have to be skilled with at least one or two of the foreign languages in the region aside from Chinese. And that the office is also loaded down with work translating reports into Chinese or English for different users.

Using Thailand as an example, Mr Meng said there is one English-speaking reporter and two Thai-speaking reporters. All stories filed by the two Thai reporters will be in Chinese. And all reports in Chinese will first have to be translated into English before they can be used.

However, the new boss of XINHUA's Hong Kong office said the agency is experimenting with localisation here and in different branch offices.

XINHUA also retains what are known in the trade as stringers, who provide information or clues to stories on a piecemeal basis.

Mr Meng said the localisation experiment has been quite satisfactory in Hong Kong. There are now about 10 locally-recruited editorial staff in the office.



"We are very happy with their performance," Mr Meng said.

However, he maintains that the policy is still on a trial basis because these staff members must be paid more than the Chinese staff.

The issue is further complicated by the differences in the approach to news and ideologies in capitalist and socialist societies, Mr Meng emphasised.

"As a national news agency of a socialist country, we are very different from our Western counterparts in the selection of news and news coverage.

"For news from Third World countries, we report on their progress rather than bringing into focus their problems and backwardness as most news agencies in the West have been doing all along.

"Moreover, they have more coverage on social affairs while XINHUA has put more emphases on political and economic matters.

"Under these circumstances, it has been rather difficult to identify local people who can fully apprehend our stand," Mr Meng explained.

Situated on a back street in Wan Chai, XINHUA's news building handles not only stories from the region, but also transfers news stories from Beijing headquarters to countries in the region, as well as the production of the overseas edition of the XINHUA publication, OUTLOOK WEEKLY.

Mr Meng highly credited the advantages Hong Kong has, as a free international communications centre.

When asked whether the role of the Hong Kong office will change after 1997 when the territory is returned to China Mr Meng replied that he saw no necessity in doing so.

"Hong Kong is very advanced in communications and transportation. These will facilitate the operation of a regional news agency. I see no point in moving the office. Nor have I ever thought about the question," he said with a smile.

/8309

CSO: 4000/093

END

**END OF**

**FICHE**

**DATE FILMED**

12 Aug. 1987